

Tuesdays 2:30 - 5:15pm
Ford Hall 120

Professor Tess Wise

twise@amherst.edu
Office Hours: Thursdays 1-3pm
Or by appointment
Clark 202

THE POLITICS OF CONSUMER FINANCE (POSC 426) Fall 2019

Americans today use credit to purchase homes, cars, education, vacations, healthcare, and even staples such as groceries and clothing. Who gets credit, at what rates, and for what purposes constitute political questions that we will explore in this seminar-style discussion-based course. We will also learn how the American system of consumer finance has evolved and what we might expect in the future. Students will write weekly one-page papers (most weeks) and two short (5-7 page) papers. Students will also write a final research paper (15-30 pages) on a topic chosen in consultation with the instructor. Most weeks there will be a student presentation of one of the assigned readings (indicated with **). These presentations provide a summary of the key concepts from the reading and propose two discussion questions for the class.

TEXTS REQUIRED FOR PURCHASE

Mian, Atif, and Amir Sufi. *House of Debt: How they (and you) caused the Great Recession, and how we can prevent it from happening again*. University of Chicago Press, 2015.

Mullainathan, Sendhil, and Eldar Shafir. *Scarcity: Why Having Too Little Means So Much*. Macmillan, 2013, Chapters 1-8.

All other readings will be available on Moodle. I recommend buying used copies of these books—no need to get new ones.

OVERVIEW OF MEETINGS

Tuesday September 3, 2019 – What is “consumer finance?”

Readings:

- Ryan, Andrea, Gunnar Trumbull, and Peter Tufano. "A Brief Postwar History of US Consumer Finance." *Business History Review* 85, no. 3 (2011): 461-498.

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One-page assignment for next week, 9/10:

- Select one form of payment in your wallet (credit card, debit card, cash, student ID, etc...) and research its terms and conditions. Describe these in a 1-page paper. Was it easy to find the terms and conditions? Were they easy to understand? Was there anything that surprised you?

Tuesday September 10, 2019 – The ancient origins of consumer finance

Readings:

- Graeber, David. *Debt: Updated and Expanded*. Melville House, 2014, Chapter 2 (The Myth of Barter), Chapter 7 (Honor and Degradation), Chapter 8 (Credit Versus Bullion), Chapter 9 (The Axial Age), Chapter 10 (The Middle Ages), Chapter 11 (Age of the Great Capitalist Empires)
- **Zelizer, Viviana A. Rotman. *The Social Meaning of Money*. Princeton University Press, 1997, Chapter 1 (The Marking of Money)
- Wise, Tess. *The Social Meaning of Debt*.

One-page assignment for next week, 9/17:

- Consider one debt you owe. It can be a formal debt such a student loan or credit card bill, or an informal debt such as a loan from family or friends. Do some research on the social history of your debt—when did this kind of debt come into being, or if it has been around for a long time, what are its notable features? Did you earmark the credit for a particular purpose? What is the social meaning of your debt?

Tuesday September 17, 2019 – Everyday Consumer Finance

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- Cooper, Marianne. *Cut Adrift: Families in Insecure Times*. University of California Press, 2014, Introduction, **Chapter 4 (The Upscaling of Security at the Top), Chapter 5 (Holding On in the Middle), Chapter 6 (When Religion Fills the Gap), Chapter 7 (Debt and Hope)
- Bandelj, Nina, Frederick F. Wherry, and Viviana A. Zelizer, eds. *Money Talks: Explaining How Money Really Works*. Princeton University Press, 2017, Chapter 9 (Money and Emotion), Chapter 11 (Money and Family Relationships)

One-page assignment for next week, 9/24:

- Consider Chapter 9 (Money and Emotion) and Chapter 11 (Money and Family Relationships) from *Money Talks*. Drawing on examples from the readings (including *Cut Adrift*) and, if you want, your own experiences consider how one or both of these factors (emotions and family) complicate a supposedly rational economic system and how this might matter for decisions such as who should have access to credit and at what rates.

Tuesday September 24, 2019 – Economic Citizenship and Consumer Politics

Readings:

- Jacobs, Meg. *Pocketbook Politics: Economic Citizenship in 20th Century America*. Princeton University Press, 2005, Introduction and Epilogue.
- Cohen, Elizabeth. *A Consumers' Republic: The Politics of Mass Consumption in Postwar America*. Vintage, 2004. Chapter 8 (Politics: Purchasers Politicized)
- **Confessore, Nicholas. "[Mick Mulvaney's Master Class in Destroying a Bureaucracy From Within](#)," *The New York Times Magazine*. April 16, 2019.
- **Optional Reading:** For an international take: Supiot, Alain and Thibault Le Texier. "[Economic Democracy: An Interview with Alain Supiot](#)." *Esprit*. March 2013.

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One-page assignment for next week, 10/1:

- Imagine you are the new director of the CFPB. In what direction would you take the Bureau? What areas would you prioritize? What regulations would you propose?

Tuesday October 1, 2019 – The Great Depression

Readings:

- Akerlof, George A. and Robert J. Shiller. *Animal Spirits*. Princeton University Press, p 1 – 73 (Chapters 1-6)
- Gailbraith, John Kenneth. *The Great Crash 1929*. Houghton Mifflin Harcourt, Chapter 5 (The Crash)
- **Calder, Lendol. *Financing the American dream: A cultural history of consumer credit*. Princeton University Press, 2009, Chapter 6 (Consumer Credit in the Great Depression)

One-page assignment for next week, 10/8:

- Stories are one of the “animal spirits” described by Akerlof and Shiller. What stories do you see as animating the economy today?

Tuesday October 8, 2019 – The Great Recession and the House of Debt

Readings:

- Mian, Atif, and Amir Sufi. *House of Debt: How they (and you) caused the Great Recession, and how we can prevent it from happening again*. University of Chicago Press, 2015, Chapter 1 (A Scandal in Bohemia), Chapter 2 (Debt and Destruction), Chapter 3 (Cutting Back), Chapter 4 (Levered Losses: The Theory), **Chapter 6 (The Credit Expansion), Chapter 7 (Conduit to Disaster), Chapter 8 (Debt and Bubbles), Chapter 10 (Forgiveness), Chapter 12 (Sharing)

Short Paper #1 due after the break, 10/22:

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- Conduct an interview with someone who was in the workforce during the Great Recession of 2008-2009. Ask about how they were or were not affected by the recession and what their memories of it are, especially as it relates to their employment and finances. What are their general perceptions of the causes and outcomes of the Great Recession? In a 5 to 7 page paper describe your interview and provide context for the information from your interview with original research—for example you might research how the Great Recession affected the industry in which your interviewee works or the region where your interviewee lives. In what ways do your interviewee's recollections of the Great Recession reinforce or contradict what we have read in class?

Tuesday October 15, 2019 – NO CLASS – FALL BREAK

***Tuesday October 22, 2019 – Watch THE BIG SHORT
Turn in Short Paper #1***

Readings:

- Rajan, R. G. (2010). *Fault Lines: How Hidden Fractures Still Threaten the World Economy*. Princeton University Press, Chapter 1 (Let Them Eat Credit), **Chapter 4 (A Weak Safety Net), Chapter 7 (Betting the Bank), Chapter 8 (Reforming Finance), Chapter 9 (Improving Access to Opportunity in America)

One-page assignment for next meeting, 10/29:

- Briefly summarize the housing you have lived in so far in your life and imagine your housing in the future, making educated guesses about places you will live and the financial resources you will have (you might want to check out <https://dsl.richmond.edu/panorama/redlining> to learn about the area or areas you are considering). Investigate how much income and/or credit you will need to acquire housing in the places you will live. What programs, if any, you could benefit from in acquiring housing (e.g., mortgage interest deduction)?

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Tuesday October 29, 2019 – Redlining, Race and Debt

Readings:

- Williams, Brett. *Debt For Sale: A Social History of the Credit Trap*. University of Pennsylvania Press, 2004, Chapter 5 (Pummeling the Poor)
- **Badger, Emily. "How Redlining's Racist Effects Lasted for Decades." *The New York Times*, August 24, 2017.
- Charron-Chénier, Raphaël, Joshua J. Fink, and Lisa A. Keister. "Race and Consumption: Black and White Disparities in Household Spending." *Sociology of Race and Ethnicity* 3, no. 1 (2017): 50-67.

One-page assignment for next week, 11/5:

- If you have student loans, research the terms and conditions of your loans. Are they private or federal? If you do not have student loans, have you, or your parents incurred in other kind of debt (including informal ones to your parents) to afford college? How do you feel about some politicians' proposed plans to discharge student debt?

Short Paper #2 due in two weeks 11/12:

- In a 5 to 7 page paper, research a consumer finance instrument, law, or regulation of your choice (e.g., Consumer Credit Protection Act, fair debt collection practices regulation, adjustable-rate mortgages, pay day loans, etc.). Describe the political and social history of your chosen topic, being sure to highlight the role of law and regulation in its evolution if you are considering a financial instrument. Consider the different parties that are commonly connected through your chosen financial instrument (e.g., creditors, debtors, family members). In what ways, if any, has your chosen instrument benefitted society and in what ways, if any, has your chosen instrument increased inequality or otherwise harmed society. Would you change law or regulation surrounding your chosen instrument, if so, how?

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Tuesday November 5, 2019 – Student Loans

Readings:

- Williams, Brett. *Debt for sale: A social history of the credit trap*. University of Pennsylvania Press, 2004, Chapter 4 (Seducing Students)
- Houle, Jason N., and Fenaba R. Addo. "Racial Disparities in Student Debt and the Reproduction of the Fragile Black Middle Class." *Sociology of Race and Ethnicity* (2018).
- Zaloom, Caitlin. "A right to the future: Student debt and the politics of crisis." *Cultural Anthropology* 33, no. 4 (2018): 558-569.
- ****News article TBD**

No one-page assignment (short paper #2 due next week)

Tuesday November 12, 2019 – Financialization

Turn in Short Paper #2 = Short Research Paper on one financial instrument

Readings:

- Krippner, Greta R. *Capitalizing on Crisis*. Harvard University Press, 2011, Chapter 1 (Introduction), Chapter 2 (What is Financialization), ****Chapter 3 (The Social Politics of U.S. Financial Deregulation)**
- Storm, Servaas. "Financialization and Economic Development: a Debate on the Social Efficiency of Modern Finance." *Development and Change* 49, no. 2 (2018): 302-329.

Final Paper Proposal due next week, 11/19:

- Your final paper is an independent research paper of 15 to 30 pages that is due on Friday, December 20. Any extensions beyond this date must be taken up with your Dean. Your paper may build on either of the two short papers written during the course or be on a different topic related to the politics of consumer finance. Your paper must make an argument that is supported with original research. In your paper proposal (1 page) describe your proposed topic and the data

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(interviews, documents, etc...) you plan on using as evidence in your paper.

Tuesday November 19, 2019 – Personal Bankruptcy

Readings:

- Porter, Katherine, ed. *Broke: How Debt Bankrupts the Middle Class*. Stanford University Press, 2012, Chapter 2 (A Vulnerable Middle Class), Chapter 7 (No Forwarding Address), **Chapter 8 (Women's Work, Women's Worry)
- Wise, Tess. *Bankruptcy Autopsies*.

One-page assignment due in two weeks, 12/3:

- In *Scarcity* (reading for next class) Mullainathan and Shafir argue that anti-poverty programs should be better designed to incorporate the ways humans cope with scarcity. Consider one anti-poverty program (Food stamps, TANF, etc..) and propose how you would redesign it to better incorporate the psychology of scarcity.

Tuesday November 26, 2019 – NO CLASS – THANKSGIVING BREAK

Tuesday December 3, 2019 – Development and Inequality

Readings:

- Mullainathan, Sendhil, and Eldar Shafir. *Scarcity: Why Having Too Little Means So Much*. Macmillan, 2013, Chapters 1-8.

One-page assignment for next week, 12/10:

- Consider China's new social credit policy. What do you think? Should America adopt a similar policy?

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Readings:

- Lauer, Josh. *Creditworthy: A History of Consumer Surveillance and Financial Identity in America*. Columbia University Press, 2017, Introduction, Chapter 1 (“A Bureau for the Promotion of Honesty”), Chapter 5 (“You are Judged by Your Credit”), Chapter 8 (Database Panic), Chapter 9 (From Debts to Data)
- **Matsakis, Louise. “How the West Got China’s Social Credit System Wrong,” *Wired*. July 29, 2019.

GRADING SCHEME

One-page assignments.....	15%
Short Paper 1.....	15%
Short Paper 2.....	15%
Final Paper.....	40%
Participation.....	15% (includes reading presentation)

- A ≥ 93%
- 90% ≤ A- < 93%
- 87% ≤ B+ < 90%
- 83% ≤ B < 87%
- 80% ≤ B- < 83%
- 77% ≤ C+ < 80%
- 73% ≤ C < 77%
- 70% ≤ C- < 73%
- D < 70%

ACADEMIC INTEGRITY

{INSERT STATEMENT}