

LECO 2035 Origins of the Crisis in the Eurozone

Tue. Thu. 1.50 - 3.30pm

6 East 16th Street. Room 902

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Course Overview

The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear.
Antonio Gramsci, *Selection from Prison Notebooks*, 1930

The history of capitalism is the history of its crises - which also include crises in economic theory. In this course, we will explore the origins and development of the crisis in the Eurozone from both a logical and a historical point of view. We aim at making sense of their main characters' decisions and actions, the economic theories on which these are based, and the political and economic circumstances surrounding each of them. We will interrogate one of the central problems underlying the contradictions of the euro: the ideological belief -- backed by little empirical evidence but widely held by European policy-making elites -- in the self-regulating, efficient market (we will treat this as what Gramsci calls "the old"). Austerity happens to be the logical consequence of this belief.

The course is organized in three parts. In bloc 1, we will identify the main conceptual problems of the economic theory behind the efficient market hypothesis, with a focus on the US. Bloc 2 considers the social and historical context of the creation of the Eurozone and the build-up of underlying structural imbalances leading to the PIIGS [Portugal-Ireland-Italy-Greece.Spain] sovereign debt crisis in the aftermath of the 2008 Wall Street meltdown. Bloc 3 focuses on the management of the crisis by European policy-makers, the bailout negotiations, and their political, economic and social consequences; that is, Gramsci's "great variety of morbid symptoms".

Is the euro a failure, as Joseph Stiglitz argued recently? Can the euro be reformed, as hoped by Yanis Varoufakis? These are the questions we will explore in this course, with the hope of identifying what exactly is "the new," in Gramsci's words, that "cannot be born."

Learning objectives

To understand and navigate the debates on economic policy regarding the Eurozone

Grading

- Three papers of 4-5 pages [75%]
- Participation [15%]
- Student presentation of a reading in class [10%, can be in pairs]

Final grades will be based on the following point scale:

A	93.0 - 100
A-	90.0 - 92.9
B+	87.1 - 89.9
B	83.0 - 87.0
B-	80.0 - 82.9
C+	77.1 - 79.9
C	73.0 - 77.0
C-	70.0 - 72.0
D+	67.1 - 69.9
D	60.0 - 67.0
F	below 60.0

Resources

The university provides many resources to help students achieve academic and artistic excellence. These resources include:

- The University (and associated) Libraries: <http://library.newschool.edu>
- The University Learning Center: <http://www.newschool.edu/learning-center>

Lang College Policies

1. *Disability Services* <http://www.newschool.edu/studentdisabilityservices>:

In keeping with the university's policy of providing equal access for students with disabilities, any student with a disability who needs academic accommodations is welcome to meet with me privately. All conversations will be kept confidential. Students requesting any accommodations will also need to contact Student Disability Service (SDS). SDS will meet with the student and, if appropriate, the Director will provide an academic accommodation notification letter for the student to bring to me. At that point, I will review the letter with you and discuss what accommodations may be reasonably offered in relation to this course.

2. *Academic Honesty and Integrity Policy and the Intellectual Property Rights Policy*, can be found at: <http://www.newschool.edu/leadership/provost/policies/> For further information on plagiarism, see the Learning Center's website: <http://www.newschool.edu/learningcenter/virtualhandoutdrawer/>

3. *Lang College's attendance and Lateness Policy*: "Absences may justify some grade reduction and a total of four absences mandate a reduction of one letter grade for the course. More than four absences mandate

a failing grade for the course, unless there are extenuating circumstances, such as the following: an extended illness requiring hospitalization or visit to a physician (with documentation); a family emergency, e.g. serious illness (with written explanation); observance of a religious holiday. The attendance and lateness policies are enforced as of the first day of classes for all registered students. If registered during the first week of the add/drop period, the student is responsible for any missed assignments and coursework. For significant lateness, the instructor may consider the tardiness as an absence for the day. Students failing a course due to attendance should consult with an academic advisor to discuss options. Divisional and/or departmental/program policies serve as minimal guidelines, but policies may contain additional elements determined by the faculty member.”

READING LIST

BLOC 1

Week 1: Tue 8/30, Thu 9/1

Crisis? What crisis?

Varoufakis, Y. (2011). *The Global Minotaur: America, the True Origins of the Financial Crisis and the Future of the World Economy*. Zed Books. [Chapters 1 and 2]

Week 2: Tue 9/6, Thu 9/8

Neoliberalism

Harvey, D. (2007). *A Brief History of Neoliberalism*. Oxford University Press, USA. [Introduction and Chapter 1]

Krippner, G. R. (2011). *Capitalizing on Crisis*. Harvard University Press. [Introduction and Chapter 1, until p.33]

Week 3: Tue 9/13, Thu 9/15

Introducing the self-regulating market

Quiggin, J. (2012). *Zombie Economics: how dead ideas still walk among us*. Princeton University Press. [Introduction, Chapters 1 and 2]

Blanchard, O. J. (2008). The State of Macro (No. w14259). *National Bureau of Economic Research*.

Week 4: Tue 9/20, Thu 9/22

Critique of the self-regulating market 1: Minsky and Keynes

Kindleberger, C. P., & Aliber, R. Z. (2011). *Manias, Panics and Crashes: A History of Financial Crises*. Palgrave Macmillan. [Chapters 1, 2, and 3, until p. 42]

Cassidy, J. (2010). Interview with Eugene Fama. *The New Yorker*, 13. [Available at <http://www.newyorker.com/news/john-cassidy/interview-with-eugene-fama>]

Week 5: Tue 9/27, Thu 9/29

Critique of the self-regulating market 2: Polanyi

Polanyi, K. (1957). *The Great Transformation: the Political and Economic Origin of Our Time*. Beacon Press. [Foreword by Stiglitz, J., and Chapter 6]

Patnaik, P. (2009). *The Value of Money*. Columbia University Press. [Introduction]

Week 6: Tue 10/4, Thu 10/6

The US Financial Crisis

Inside Job, Documentary [in class]

Blyth, M. (2013). *Austerity: The history of a dangerous idea*. Oxford University Press. [Chapter 2]

Paper #1 due

BLOC 2: The Boom: Birth of the European Minotaur

Week 7: Tue 10/11, Thu 10/13

The Eurozone Crisis: A Primer

Blyth, M. (2013). *Austerity: The history of a dangerous idea*. Oxford University Press. [Chapters 1 and 3]

Lapavistas, C. (2012). *Crisis in the Eurozone*. Verso Books. [Preface and Introduction by Kouvélakis]

Week 8: Tue 10/18, Thu 10/20

The European Monetary Union as a Neoliberal Project. Historical Overview

Hermann, C. (2007). Neoliberalism in the European Union. *Studies in Political Economy*, 79(1), 61-90.
Godley, W. (2012). Maastricht and all that. In *The Stock-Flow Consistent Approach* (pp. 189-193). Palgrave Macmillan UK.
Ingham, G. (2004). *The Nature of Money*. John Wiley & Sons. [Europe's Single Currency, pp. 188-196]
Eichengreen, B., & Frieden, J. (1994). The Political Economy of European Monetary Unification: An Analytical Introduction, in *The Political Economy of European Monetary Unification* [pp. 1-23].

Week 9: Tue 10/25, Thu 10/27

The Boom Years: Structural Imbalances within the Eurozone

Lapavistas, C. (2012). *Crisis in the Eurozone*. Verso Books. [Chapter 1]

Week 10: Tue 11/1, Thu 11/3

Case Study: The Economic Boom in Spain

López, I., & Rodríguez, E. (2011). The Spanish Model. *New Left Review*, 69(3), 5-29. [available at <https://newleftreview.org/II/69/isidro-lopez-emmanuel-rodriguez-the-spanish-model>]
Fernández-Villaverde, J., Garicano, L., & Santos, T. (2013). Political credit cycles: the case of the Eurozone. *Journal of Economic Perspectives*, 27(3), 145-166.

BLOC 3. The Bust: Crisis and Austerity

Week 11: Tue 11/8, Thu 11/10

Comparing the Euro and the Gold Standard

Polanyi, K. (1957). *The Great Transformation: the Political and Economic Origin of Our Time*. Beacon Press. [Introduction by Block, F., Chapters 1, 2, and 12]
Pettifor, A. (2015). Why the euro is the gold standard writ large – and like the gold standard, will fail. *Prime Economics*

Week 12: Tue 11/15, Thu 11/17

Greece's Bailout Negotiations

Varoufakis, Y. (April 5th, 2016). Why we must save the European Union. *The Guardian* [available at <https://www.theguardian.com/world/2016/apr/05/yanis-varoufakis-why-we-must-save-the-eu>]
Coppola, F. (June 29th, 2015). The Day the Euro Died. *Forbes* [available at <http://www.forbes.com/sites/francescoppola/2015/06/29/the-day-the-euro-died>]
#ThisisaCoupe, Documentary [in class]
Paper #2 Due

THANKSGIVING WEEK

Week 13: Tue 11/29, Thu 12/1

Social and Political Consequences of Austerity

Colau, A., & Alemany, A. (2014). *Mortgaged Lives. From the housing bubble to the right to housing*. Los Angeles: Journal of Aesthetics & Protest. [pp. 19-35, 85-126]

DiEM25, *The DiEM25 Manifesto: Democracy in Europe Movement 2025* [available at <https://www.opendemocracy.net/can-europe-make-it/anthony-barnett/introduction-to-diem25-manifesto>]

Piketty, T. et al (May 2nd, 2014). Our manifesto for Europe. *The Guardian* [available at <https://www.theguardian.com/commentisfree/2014/may/02/manifesto-europe-radical-financial-democratic>]

Week 14: Tue 12/6, Thu 12/8

The Debt / Money Duality

Graeber, D. (2010). To Have is to Owe. *Triple Canopy*, (10) [available at https://www.canopycanopycanopy.com/contents/to_have_is_to_owe]

Ingham, G. (2004). *The Nature of Money*. John Wiley & Sons. [Introduction]

Mehrling, P. (2013). The Inherent Hierarchy of Money. *Social Fairness and Economics: economic essays in the spirit of Duncan Foley*, 169, 394.

Week 15: Tue 12/13, Thu 12/15

On Quantitative Easing: Post-Keynesian Approaches and Future Perspectives

Palley, T. I. (2016). *Why ZLB economics and Negative Interest Rate Policy (NIRP) are wrong: A theoretical critique* (No. 172). IMK Working Paper.

Evans-Pritchard, A. (July 27th, 2016). IMF admits disastrous love affair with the euro and apologises for the immolation of Greece. *The Telegraph* [available at <http://www.telegraph.co.uk/business/2016/07/28/imf-admits-disastrous-love-affair-with-euro-apologises-for-the-i/>]

Blanchard, O. (2016). *Do DSGE Models Have a Future?* (No. PB16-11). Peterson Institute of International Economics.

Paper #3 due on Tue 12/20