

**THE POLITICAL ECONOMY OF THE GREAT RECESSION AT CENTRAL  
CONNECTICUT STATE UNIVERSITY**

Dr. Jared M. Ragusett  
Department of Economics  
Maria Sanford Hall, Suite 30405  
Central Connecticut State University  
New Britain, CT, 06050  
Email: [jaredr@ccsu.edu](mailto:jaredr@ccsu.edu)  
Phone: (860) 832 – 2726  
Fax: (860) 832 – 2730

## **Introduction**

This course investigates the Great Recession using heterodox and orthodox approaches to economic analysis. This upper-level course, which is fully dedicated to the topic of the Great Recession, has prerequisites of Principles of Macroeconomics and Principles of Microeconomics. It has been offered twice since its development and creation, during the Spring 2014 and Spring 2016 semesters. The course not only complements the department's other offerings in radical economics – such as Political Economy, Marxian Economics, and The History of Economic Thought – but also meets the department's expectations of delivering curriculum that is contemporary and policy-relevant. The content of the course is divided into four major units, spanning the history and structure of the US economy prior to 2008, the transmission of the crisis itself, the policy responses to the crisis, and finally, the debates and controversies surrounding the recovery. The primary textbook that organizes this content is *The Economic Crisis Reader* (2<sup>nd</sup> edition), published by Dollars and Sense. This reader is a collection of short essays on ten major topics related to the Great Recession. In addition to the textbook, the course uses several supplementary resources, which include documentary films, journal articles and book chapters, publicly available data sources, reports and briefing papers from think tanks and policy institutes, summaries of legislation, transcripts of testimony and speeches, as well as any other current news items that occur during the semester.

## **Course Content**

The first unit, entitled “Understanding the Economic Crisis,” has two primary purposes. The first is to introduce the major events, government policies, and economic changes associated with the Great Recession. The second is to identify and discuss the major theoretical and policy

differences between radical and orthodox economics. For example, this unit introduces the principles of Marxian crisis theory – such the theory of overproduction, and the falling rate of profit – and applies them to understanding the Great Recession.

The second major unit, entitled “The Road to the Great Recession,” examines the lead-up to, and transmission of, the crisis. This lengthy unit is divided into several sub-units and topics. The first topic explores US economic history prior to 2008; namely, the demise of Golden Age capitalism during the 1970’s, the subsequent capitalist mobilization and ascendance of new conservatism during the 1980’s, financial deregulation during the 1990’s, and the weak 2001-2007 expansion. This topic engages the social structures of accumulation approach, as well as the concept of financialization, to understand the long-term restructuring of the US economy prior to the Great Recession. The second topic investigates several themes related to the housing bubble and bust, such as competing explanations of the housing bubble, subprime mortgage lending, the foreclosure crisis, and anti-foreclosure policies. The readings in this sub-unit particularly emphasize reverse redlining, the effects of the foreclosure crisis on racial and ethnic minorities, and progressive anti-foreclosure policies, all of which are alternative narratives from mainstream economics and the media. The next sub-unit covers financial structure, the transmission of the 2008 financial crisis, and the bailouts. The documentary film *Inside the Meltdown* is used clarify the role of complex financial instruments like mortgage backed securities and credit default swaps, the sequence of events during the crisis itself, and the motives behind the Toxic Asset Relief Program. This sub-unit also presents several alternatives to the pseudo-nationalization strategy pursued by the federal government. The final topic in this unit surveys several explanations of the economic crisis from conventional and radical theoretical traditions, including the roles of greed and financial deregulation, the power shift following the 1970’s, the failures of orthodox economic

theory, Minsky's financial instability hypothesis, and Fisher's theory of debt deflation, among others. David Harvey's animated YouTube video entitled "The Crises of Capitalism" is a useful summary of some of these narratives.

The third major unit of the course examines "Policy Responses to the Great Recession;" specifically, financial reform, monetary policy, and fiscal policy. On financial reform, it explores the major provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, how it compares to previous financial regulations, and whether it addresses the underlying forces that led to the financial crisis. On monetary policy, it investigates the role of the Federal Reserve during the bailouts, assesses the effectiveness of monetary stimulus during and after the crisis, and discusses Ben Bernanke's philosophy during his tenure at the Federal Reserve. On fiscal policy, like financial reform and monetary policy, it assesses the effectiveness of fiscal stimulus during the crisis, particularly the American Recovery and Reinvestment Act. This topic also examines the 2009 budget deficit, as well as the effects of the crisis (and the stimulus) on state and local fiscal policies. The policy unit concludes with a discussion of Alan Blinder and Mark Zandi's 2010 paper, entitled "How the Great Recession Was Brought to an End," which simulates the effects of the government's financial and fiscal policy responses on the macroeconomy.

The final unit engages several debates and controversies surrounding "The Recovery from the Great Recession." The first topic examines the austerity debate by focusing on the controversial work of Reinhart and Rogoff, and the various critiques of it. The remaining topics, which are covered by group student presentations, broadly include inequality (e.g., the Wall Street comeback, grassroots movements, and the impact of the crisis on women, racial and ethnic minorities, and immigrants), jobs and labor rights (e.g., the jobless recovery, Right-to-Work laws, green jobs, the living wage movement, and the wage-productivity gap), the crisis in cities and

states, and the international crisis and recovery (Greece, Iceland, the “BRICS” nations, etc.).

### **Instructional Methods**

Several overarching objectives inform the instructional methods and requirements of this course. The course is not simply a recounting of the events before, during, and after the Great Recession; rather, it uses the Great Recession as a method for teaching radical and mainstream economic principles. Successful students are expected to gain an advanced theoretical, practical, and professional understanding of the crisis. Although they lived through the events of the crisis, they cannot pass the course by simply relying on preconceived notions, mainstream media narratives, or their memories; they must demonstrate a clear value added from the course content. Furthermore, students develop skills in producing, and assessing, original research. The objective is not to teach them everything that there is to know about the Great Recession, but to give them the tools to be independent learners beyond the course.

Regarding specific course requirements, all topics through the austerity debate are covered by class and small-group discussions of the readings, with lectures for more complex topics. To ensure that a critical mass of students have completed the weekly reading assignments, short quizzes are given on new topics and readings that have not yet been discussed in class. Further, students must deliver a group presentation on a general topic related to the recovery from the Great Recession, and then write an independent research paper on a more specific topic related to the presentation. For example, one group delivered a general presentation on the recovery of financial institutions since the crisis, while each of them focused on specific institutions in their respective individual research papers (insurance, commercial banking, Fannie Mae and Freddie Mac, etc.). In another case, a group delivered a presentation on the recovery in New England, while each of

them focused on an individual state in their papers. Again, students must demonstrate a clear value added of the course. Although they are expected to integrate previous course topics to understand the nature and direction of the recovery, and thus the current state of the US economy, the paper and presentation must tell the class something new. In the interest of spreading the workload of these major requirements over the course of the semester, students must complete a series of intermediate assignments related to their projects, such as bibliographies, outlines, and literature reviews, etc.

## **Conclusion**

This upper-level course examines the lead-up to, transmission of, and recovery from the Great Recession using heterodox and orthodox economic principles. This principal objective carries through the assigned readings, supplementary resources, instructional methods, and requirements of the course. Although the delivery of each iteration of the course was similar, student interest in certain topics or themes varied substantially, largely because of the continuing evolution of the current expansion and the public dialogue surrounding it. For example, in the first iteration of the course, students focused on relatively benign topics – such as the crisis in cities and states, and the crisis and recovery in the global economy – in their presentations and papers. During the second iteration of the course, however, they were willing to engage more controversial issues related to income and wealth inequality, racial inequality, and labor rights. Similarly, the context and role of “grassroots” movements clearly evolved between both offerings. Whereas the focus during the first iteration was on Occupy Wall Street and the Tea Party, the focus during the second iteration was on the Sanders and Trump presidential campaigns. Future economic and policy developments during the Trump presidency – such as the possible repeal or crippling of

Dodd-Frank, and a more aggressive stance against the Federal Reserve – will no doubt inform future revisions of the course.

### **Selected Course Readings and Resources**

Bernanke, B.S. (2002, November 21). *Deflation: Making Sure “It” Doesn’t Happen Here* (Remarks before the National Economists Club, Washington, DC): <http://www.federalreserve.gov/boarddocs/speeches/2002/20021121/>

Bernanke, B.S. (2004, February 20). *The Great Moderation* (Remarks at the Meetings of the Eastern Economic Association): <http://www.federalreserve.gov/boarddocs/speeches/2004/20040220/>

Bivens, J. & Irons, J. (2008). *A Feeble Recovery: The Fundamental Economic Weaknesses of the 2001 – 07 Expansion* (Briefing Paper #214). Washington, DC: Economic Policy Institute.

Blinder, A.S. & Zandi, M. (2010). *How the Great Recession Was Brought to an End*.

Bocain, D.G., Ernst, K.S., & Li, W. (2006). *Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages*. Center for Responsible Lending.

Bocain, D.G., Li, W., & Ernst, K.S. (2010). *Foreclosures by Race and Ethnicity: The Demographics of a Crisis* (CRL Research Report). Center for Responsible Lending.

Clawson, D. & Clawson, M.A. (1987). Reagan or Business? Foundations of the New Conservatism. In M. Schwartz (Ed.), *The Structure of Power in America: The Corporate Elite as a Ruling Class* (pp. 201 – 217). New York, NY: Holmes and Meier.

Economic Policy Institute – *The State of Working America*  
<http://stateofworkingamerica.org/>

Friedman, G., Moseley, F., Sturr, C., and the Dollars and Sense Collective (Eds). (2010). *The Economic Crisis Reader*. Boston, MA: Economic Affairs Bureau, Inc.

Greenspan, A. (2008, October 23). Testimony on Sources of Financial Crisis (Remarks before the US House Committee on Oversight and Government Reform): <http://blogs.wsj.com/economics/2008/10/23/greenspan-testimony-on-sources-of-financial-crisis/>

Harvey, D. – *The Crises of Capitalism* (YouTube)

Herndon, T., Ash, M., & Pollin, R. (2013). *Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff*. Amherst, MA: Political Economy Research Institute.

Irons, J., Edwards, K., & Turner, A. (2009). *The 2009 Budget Deficit: How Did We Get Here?* (Issue Brief # 262). Washington, DC: Economic Policy Institute.

National Bureau of Economic Research – *US Business Cycle Expansions and Contractions*  
<http://www.nber.org/cycles.html>

PBS Frontline – *Inside the Meltdown* (Film)

Reinhart, C.M. & Rogoff, K.S. (2010). Growth in a Time of Debt. *American Economic Review: Papers & Proceedings*, 100, 573 – 578.

US Senate Committee on Banking, Housing and Urban Affairs. *Brief Summary of the Dodd-Frank Wall Street Reform and Consumer Protection Act*.

Wall Street Journal – Breakdown of the 2009 American Recovery and Reinvestment Act  
[http://online.wsj.com/public/resources/documents/STIMULUS\\_FINAL\\_0217.html](http://online.wsj.com/public/resources/documents/STIMULUS_FINAL_0217.html)