

SOC 1872
Sociology of FIRE
FALL 2017

Instructor: Dan Hirschman

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Time and Location: 3:00pm-5:30pm Wednesdays, J. Walter Wilson 502

Office Hours: 10:00am-12:00pm Wednesdays, 209 Maxcy Hall (and by appointment)

Overview and Objectives

This seminar explores the sociology of finance, insurance, and real estate (the “FIRE” sector). Topics covered include: the causes and consequences of the growth of finance, the morality of life insurance, gender discrimination, race and the role of the state in the mortgage market, the interplay between innovation and regulation, and the 2008 financial crisis. We will ask whether the benefits of modern finance are worth its costs, and whether finance merely reflects existing social and economic inequalities, or if there are mechanisms by which finance creates or reinforces those inequalities.

By the end of the class, you should have a clear understanding of the functioning of the modern financial system, and your own account of the 2008 financial crisis. You will also be able to articulate how sociology can complement historical and economic analyses of the financial system, and combine insights from these disciplines to evaluate policy proposals for reforming the financial system.

Requirements

Attendance and Lateness: You are required to attend all classes. Any unexcused absence beyond the first will affect your participation grade. Unexcused excessive lateness will be counted as an absence. Absences for religious observances are excused, as long as you notify me in advance.

Readings: This course is an upper-level seminar. As such, it carries a substantial reading load. You are expected to read all assigned material before coming to class. The majority of each class will be devoted to discussing the material in greater detail.

Presentations: Most weeks after the first, one or more students will lead off the discussion with a presentation. These presentations should last around 20 minutes, and include a handout with a summary of key terms and claims made in the readings. Each student will

be expected to present once during the course of the term. We will discuss expectations for the presentations in class.

Response Memos: Most weeks, you are expected to write a 500 word response memo. This memo should discuss that week's reading, although it may focus on some readings more than others. The ideal response memo includes a brief summary of some of the major ideas in the readings, along with one or more of the following: thoughtful questions for discussion, critical commentary, connections to other readings, or connections to some current event or debate. Response memos are due by midnight on Tuesday. You will be graded on your best seven response memos (meaning that you can "skip" a few weeks if you are satisfied with your grades). You may not write a response memo the same week as your presentation.

Reflection Papers: Twice during the semester, you will write a 1000 word reflection paper. This paper will build on the course readings and discussions to make an argument of your choosing that demonstrates your mastery of some portion of the course material. The ideal reflection paper brings together several readings from different weeks into a coherent argument. The first reflection paper covers the material in weeks 2-6 and is due Sunday, 10/15. The second reflection paper covers material from week 7-10 and is due Sunday, 11/12.

Discussion: During each class, the week's presenter will raise questions about the readings. We will also discuss issues raised in your response memos, as well as other ideas you have about the readings (e.g. connections to previous readings, relevance to contemporary issues, etc.). The material we cover can be challenging at times, but everyone has something to contribute to our discussion, even if you don't fully understand the particular reading in question. If you have a question, chances are that another one of your classmates has it too.

Respect: There are many ways to interpret the course readings in class and many competing views on the topics we will discuss, and I hope we will debate many contrasting viewpoints. We will be covering issues relevant to current policy debates, including sensitive topics related to race, sex/gender, and class. To facilitate good discussion, please keep in mind that we are debating ideas, not each other as individuals. This type of debate might take the form of "I disagree" instead of "you are wrong." Please keep the difference in mind so that we can engage in useful and vigorous discussion!

Final Project: The final project for the class is a short (2500-3000 word) paper. By default, the paper assignment will ask you to use theories and research from the course to offer your own narrative of the 2008 financial crisis (or some part of that crisis or its aftermath). You may also propose a paper on another topic that can take one of three forms: a policy brief, a long-form news article, or a research proposal. No matter what you choose, you will be expected to do a small amount of outside research (equivalent to reading about one book or a few research articles). We will discuss the project in greater detail early in the semester. There will be an optional paper workshop held during reading week on a date TBD where you will have a chance to receive feedback from your peers. The final version will be due on 12/16.

Time Expectations: You are expected to spend approximately 180 hours total to complete this class. Over the 14 weeks of term, students will spend 3 hours per week in class (42 hours). The required readings for each class are expected to take ~ 7 hours per week (98

hours). Finally, weekly response memos (1 hour each * 10), reflection papers (3 hours each * 2), in-class presentation preparation (3 hours) and the final paper (21 hours for researching, drafts, and editing) are estimated to take approximately 40 hours, for a total of 180.

Assignments & Grading

Attendance & Participation: 20%

Presentation: 10%

Response Memos: 20%

Reflection Papers: 20%

Final Project: 30%

Details on how each of these items are graded will be discussed in class.

Administrative Issues

Academic Integrity: Plagiarism and other forms of academic misconduct are unacceptable. Information on the University's academic integrity policy is available [here](#). Any student who plagiarizes will fail the course and will receive any other sanctions imposed by the University.

Accommodations for Learning: Brown University is committed to full inclusion of all students. Please inform me early in the term if you have a disability or other condition that might require accommodations or modification of any of these course procedures. You may speak with me after class or during office hours. For more information, please contact [Student and Employee Accessibility Services](#) (phone: 401-863-9588, email: SEAS@brown.edu). Students in need of short-term academic advice or support can contact one of the deans in the Dean of the College office.

Email Policy: All course emails must contain "1872" in the subject line. Any email that does not contain 1872 in the subject may be marked as spam and deleted. Emails marked 1872 will be filtered properly. I will try to respond to email within 24 hours during the week. If you do not receive a response within 48 hours, please send a follow-up email. Emails sent on Friday or during the weekend will be answered on the following Monday or Tuesday. I expect emails to be polite and professional.

Writing Expectations: The University has many resources to help you with your writing, starting with the [Writing Center](#). In addition, I am happy to offer feedback on the mechanics of writing a clear and well-argued paper. Finally, good writing is a habit. I will pay attention to your writing in each assignment as well as in our written communication such as emails. Emails don't require the same level of formality as a research paper, but I will expect a professional and polite tone, complete sentences, well-formulated thoughts, and so on.

Cell Phones and Laptops: Turn off your cell phone and store it during class. If you might need to receive a call during class for some reason, put your phone on vibrate and let me know ahead of time. At times, it may be useful to take notes or reference the course readings on a laptop during class. I expect you to have your laptop closed or put away unless you are using it explicitly for class purposes. Using a laptop for anything other than course-related activities will negatively affect your participation grade, and you may be asked to leave the classroom.

Required Texts

Most of the course readings will be available as pdfs on the course Canvas site. Three of the books should be purchased, as we will read most or all of the text (and they are relatively affordable in paperback, available used, etc.). They should be available at the Brown Bookstore, but you may be able to find cheaper copies elsewhere. Be careful, though, you will need some of the books as early as week 2. The books you'll need are:

- Davis, Gerald. 2009. *Managed by the Markets*. (\$25 new, used from \$2)
- Johnson, Simon and James Kwak. *13 Bankers*. (Used from \$.01 plus shipping)
- Krippner, Greta. 2011. *Capitalizing on Crisis*. (\$20 new)
- Rothstein, Richard. 2017. *The Color of Law*. (\$18 new)
- Stout, Lynn. 2012. *The Shareholder Value Myth*. (\$12 new, used from \$5)

Course Outline

Week 1: What is Finance? (9/6)

- Kay, John. 2015. *Other People's Money*. Introduction.
- Barr, Michael, Howell Jackson and Margaret Tahyar. 2016. *Financial Regulation: Law and Policy*. Chapter 1.

Week 2: The Rise of Finance (9/13)

- Davis, Gerald. 2009. *Managed by the Markets*. Chapter 1.
- Krippner, Greta. 2011. *Capitalizing on Crisis*. Chapters 1 & 2.
- Konczal, Mike and Nell Abernathy. 2015. *Defining Financialization*. Roosevelt Institute.

Week 3: The Ivy League to Wall St. Pipeline (9/20)

- Binder, Amy J., Daniel B. Davis, and Nick Bloom. 2016. "Career Funneling How Elite Students Learn to Define and Desire 'Prestigious' Jobs." *Sociology of Education* 89(1):20-39.
- Rivera, Lauren A. 2012. "Hiring as Cultural Matching: The Case of Elite Professional Service Firms." *American Sociological Review* 77(6):999-1022.
- Ho, Karen. 2009. *Liquidated*. Chapters 1 & 2.
- Turco, Catherine. 2010. "Cultural Foundations of Tokenism: Evidence from the Leveraged Buyout Industry." *American Sociological Review* 75(6): 894-913.

Week 4: Financial Markets and Financial Models (9/27)

- Cronon, William. 1991. *Nature's Metropolis*. Chapter 3 ("Pricing the Future.")
- Mackenzie, Donald and Yuval Millo. 2003. "Constructing a Market, Performing Theory: The Historical Sociology of a Financial Derivatives Exchange." *American Journal of Sociology* 109(1):107-45.
- Beunza, Daniel and David Stark. 2012. "From Dissonance to Resonance: Cognitive Interdependence in Quantitative Finance." *Economy and Society* 41(3):383-417.

Week 5: Shareholder Value and the Financialization of Non-Financial Firms (10/4)

- Davis, Gerald. 2009. *Managed by the Markets*. Chapter 3.
- Dobbin, Frank and Dirk Zorn. 2005. "Corporate Malfeasance and the Myth of Shareholder Value." *Political Power and Social Theory* 17:179-198.
- Stout, Lynn. 2012. *The Shareholder Value Myth*. Introduction, chapters 1-4.

Week 6: The Politics of Finance and Innovation (10/11)

- Krippner, Greta. 2011. *Capitalizing on Crisis*. Chapters 3 & 4, Conclusion.
- Funk, Russell and Daniel Hirschman. 2014. "Derivatives and Deregulation Financial Innovation and the Demise of Glass-Steagall." *Administrative Science Quarterly* 59(4):669-704.
- Pernell, Kim, Jiwook Jung, and Frank Dobbin. 2017. "The Hazards of Expert Control: Chief Risk Officers and Risky Derivatives." *American Sociological Review* 82(3):511-41.

Week 7: Dealing in Death (10/18)

- Zelizer, Viviana A. 1978. “Human Values and the Market: The Case of Life Insurance and Death in 19th-Century America.” *American Journal of Sociology* 84(3):591-610.
- Fourcade, Marion and Kieran Healy. 2007. “Moral Views of Market Society.” *Annual Review of Sociology* 33:285-311.
- Quinn, Sarah. 2008. “The Transformation of Morals in Markets: Death, Benefits, and the Exchange of Life Insurance Policies.” *American Journal of Sociology* 114(3):738-780.

Week 8: Gender, Race, and Other Contentious Variables (10/25)

- Simon, Jonathan. 1988. “The Ideological Effects of Actuarial Practices.” *Law & Society Review* 22(4):771-800.
- Hyman, Louis. 2011. “Ending Discrimination, Legitimizing Debt: The Political Economy of Race, Gender, and Credit Access in the 1960s and 1970s.” *Enterprise and Society* 12(1):200-232.
- O’Neil, Cathy. 2016. *Weapons of Math Destruction*. Introduction, Chapter 8 (“Landing Credit”), Chapter 9 (“Getting Insurance.”).

Week 9: Race, Housing, and the State (11/1)

- Rothstein, Richard. 2017. *The Color of Law*. Preface, Chapters 1-5, Chapters 8-9, Chapters 11-12, Epilogue, FAQ.
- Coates, Ta-Nehisi. 2014. “The Case for Reparations.” *The Atlantic*, available [here](#).
- Quinn, Sarah. 2017. “‘The Miracles of Bookkeeping:’ How Budget Politics Link Fiscal Policies and Financial Markets.” *American Journal of Sociology*, forthcoming.

Week 10: Credit Scoring and Subprime Mortgages (11/8)

- Poon, Martha. 2009. “From new deal institutions to capital markets: Commercial consumer risk scores and the making of subprime mortgage finance.” *Accounting, Organizations and Society* 34(5):654-674.
- Fourcade, Marion and Kieran Healy. 2013. “Classification situations: Life-chances in the neoliberal era.” *Accounting, Organizations and Society* 38(8):559-572.
- Massey, Douglas S., Jacob S. Rugh, Justin P. Steil, and Len Albright. 2016. “Riding the Stagecoach to Hell: A Qualitative Analysis of Racial Discrimination in Mortgage Lending.” *City & Community* 15(2):118-36.

- Kiviat, Barbara. 2017. “The art of deciding with data: evidence from how employers translate credit reports into hiring decisions.” *Socio-Economic Review*, forthcoming.

Week 11: The Crisis (11/15)

- Johnson, Simon and James Kwak. 2010. *13 Bankers*, Introduction, Chapter 5.
- Davis, Gerald. 2009. *Managed by the Markets*. Chapters 4, 6.
- *The Big Short* (watch outside of class).
- *Inside Job* (shown in class).

No Class 11/22 (Thanksgiving Break).

Week 12: Sensemaking and the Aftermath (11/29)

- Johnson, Simon and James Kwak. 2010. *13 Bankers*. Chapters 6-7, Epilogue.
- Perrow, Charles. 2010. “The Meltdown was Not an Accident.” *Research in the Sociology of Organizations* 30(A):309-330.
- Financial Crisis Inquiry Commission. 2011. “Conclusions of the Financial Crisis Inquiry Commission.” Pp. xv-xxviii.
- MacKenzie, Donald. 2011. “The Credit Crisis as a Problem in the Sociology of Knowledge.” *American Journal of Sociology* 116(6):1778-1841.
- Immergluck, Dan. 2015. “A look back: what we now know about the causes of the US mortgage crisis.” *International Journal of Urban Sciences* 19(3):269-285.

Week 13: Financial Reform & The Price of Finance (12/6)

- Financial Crisis Inquiry Commission. 2011. “Dissenting Views.” Pp. 411-449.
- Barr, Michael. 2017. “Financial Reform: Making the System Safer and Fairer.” *RSF: The Russell Sage Foundation Journal of the Social Sciences* 3(1): 2-18.
- Konczal, Mike, Kathryn Milani, and Andrew Hwang. 2017. *Doomed to Repeat: Debunking the Conservative Story about the Financial Crisis and Dodd-Frank*. Roosevelt Institute.
- Zingales, Luigi. 2015. “Does Finance Benefit Society?” NBER Working Paper.

Week 14: Optional Paper Workshop (Reading Week) (Date TBD)

Final Paper Due 12/16.