

Econ 213/Hist 245 Topics in US Economic History: The Great Depression

Fall 2012

MWF 3:10–4:00 pm

Baxter 114

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Documents from this course are posted on Moodle.

This class will examine in depth the causes and consequences of the Great Depression. Understanding the Great Depression is important because it helps us to understand how to respond to recessions. We will explicitly compare the Great Depression to the Great Recession. Your final paper will compare the two contractions. When you leave this course you will understand what lessons from the Depression are applicable to today's policy decisions.

Because the main goal of this course is to help you understand the issues involved, we will not stick to the 1930s, but will spend much of our time examining events that came before or after the Depression. Though the class is titled "US Economic History", we will also discuss the Depression in other areas of the world.

Evaluation and Assignments

Your grade will be based on the following:

Three Exams	20% each
Two Papers	15% each
Homework, Quizzes, Participation	10%

Paper: You will write two 3–5 page papers.

Paper 1 will analyze the Great Depression in a country other than the US.

Paper 2 will compare the current Great Recession to the Great Depression.

Homework: Your homeworks will include data assignments using Excel and problems.

Quizzes: There will be occasional short quizzes on the reading assignments. The number of quizzes depends on how much encouragement you need to do the reading.

Prerequisite: Econ 101

Texts

The following texts are available at the bookstore:

John Kenneth Galbraith, *The Great Crash 1929*, Mariner Books, 1997

Robert Shiller, *Irrational Exuberance*, 2nd ed., Princeton Univ. Press, 2005

Peter Temin, *Lessons from the Great Depression*, MIT Press, 1989

Gary Gorton, *Slapped by the Invisible Hand: The Panic of 2007*, Oxford Univ. Press, 2010

Other readings will be available on-line, either on JStor, or on Moodle.

Outline

A. Bubbles

Galbraith, *The Great Crash, 1929*, Ch. 1–8
Shiller, *Irrational Exuberance*, Ch. 1, 2, 4, 6–11

B. Banking Crises

Charles Calomiris, "Is Deposit Insurance Necessary? A Historical Perspective," *Journal of Economic History*, June 1990, 50:283–295

Elmus Wicker, *Banking Panics of the Gilded Age*, Cambridge: Cambridge Univ. Press, 2000, Ch. 5

Gary Richardson, "Categories and causes of bank distress during the Great Depression, 1929-1933: The illiquidity versus insolvency debate revisited," *Explorations in Economic History*, Oct. 2007, 44:588-607

C. Causes of the Great Depression

John Maynard Keynes, "An Economic Analysis of Unemployment," in Quincy Wright, ed., *Unemployment as a World Problem*, Chicago: Univ. of Chicago Press, 1931

Milton Friedman and Anna Schwartz, *A Monetary History of the United States*, Princeton: NBER, 1963, Ch. 7

Kindleberger, *The World in Depression, 1929-1939*, Univ. of California Press, 1973, Ch. 7 & 14

Peter Temin, *Lessons from the Great Depression*, Ch. 1–2

D. Ending the Great Depression

Peter Temin, *Lessons from the Great Depression*, pp. 89–108

Christina Romer, "What Ended the Great Depression?" *Journal of Economic History*, Dec. 1992, 757–784

Hsieh and Romer, "Was the Federal Reserve Constrained by the Gold Standard During the Great Depression? Evidence from the 1932 Open Market Purchase Program," *Journal of Economic History*, March 2006, 66:140-176

E. Consequences of the Great Depression

Peter Temin, *Lessons from the Great Depression*, pp. 108–137

Price Fishback, "Government and the Economy," in Fishback et. al., *Government and the American Economy: A New History*, Chicago: University of Chicago Press, 2007

Robert Higgs, "Crisis, Bigger Government, and Ideological Change: Two Hypotheses on the Ratchet Phenomenon," *Explorations in Economic History*, Jan. 1985, 22:1–28

F. The Great Recession

Gary Gorton, *Slapped by the Invisible Hand*, Ch. 1-4

Michael Grabell, *Money Well Spent? The Truth Behind the Trillion-Dollar Stimulus, The Biggest Economic Recovery Plan in History*, New York: Public Affairs, 2012, Ch. 2-3

Stephen Cecchetti, "Crisis and Responses: The Federal Reserve in the Early Stages of the Financial Crisis," *Journal of Economic Perspectives*, Winter 2009, 23:51-76.

Alan Blinder, "How the Great Recession Was Brought to an End," 2010

Schedule

Date	Assignment	Topic	Reading
Aug. 24		The Great Depression and the Great Recession	
27		Bubbles	Galbraith Ch. 1-4
29		Bubbles	Galbraith Ch. 5-8
31	HW1	Bubbles: Efficient Markets Theory	
Sept. 3		Bubbles	Shiller Ch. 1, 2, 4
5		Bubbles	Shiller Ch. 6-9
7		Bubbles	Shiller Ch. 10 - 11
10		Money and Banking	
12		Money and Banking	
14		Deposit insurance	Calomiris, <i>Jnl. Econ. Hist.</i> , June 1990, 50:283-295
17		Banking Panics	
19	HW2	Banking Panics	
21	TEST ONE		
24		Banking Panics	Wicker, Ch. 5
26		Bank failures during the Depression	Richardson, <i>Explorations</i> , Oct. 2007, 44:588-607
28		Review of Macroeconomics	
Oct. 1	HW3	Causes	Keynes
3		Causes	Friedman and Schwartz, Ch. 7, section 1
5		Causes	Friedman and Schwartz, Ch. 7, sections 5 and 7
8		European background	
10		Gold Standard	
	BREAK		
15		Causes	Kindleberger Ch. 7, 14
17		Causes	Temin Ch. 1
19		Causes	Temin Ch. 2
22	TEST TWO		
24		Recovery	Temin, Ch. 3, pp. 89-108
26	PAPER 1 DUE	Depression in Europe	
29		Recovery	Romer, <i>Jnl. Econ. Hist.</i> , Dec. 1992, 52:757-784.
31	HW4 due	Recovery	
Nov. 2		Recovery	Hsieh and Romer, <i>Jnl. Econ. Hist.</i> , Dec.

			2006
5		1937 recession	
7		Consequences	Temin, Ch. 3, pp.108–137
9		New Deal	Fishback, “The New Deal”
12		NIRA, AAA	
14		Growth of Government	Higgs, <i>Explorations</i> , Jan. 1985, 22:1–28
16		Intro to the Great Recession	
	BREAK		
26		Great Recession: Causes	Gorton, Ch. 1-2
28		Great Recession: Causes	Gorton, Ch. 3–4
30	TEST THREE		
Dec. 3		Policy Response	Garbell, <i>Money Well Spent?</i> Ch. 2-3
5		Policy Response	Cecchitti, <i>Jnl of Econ. Perspectives</i> , 2009
7		Policy Response	Blinder, “How the Great Recession Was Brought to an End” 2010
Dec. 12	PAPER 2 DUE 4:30 pm		