

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

Fall 2016

MWF 3:10–4:00 pm

Baxter 311

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Office Hours: You are welcome to stop by anytime.

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Documents from this course are posted on Canvas.

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 also learn that even the experts sometimes get it wrong, and we should pay attention to whether the data support our theories. 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
Comparative Essay	20%
Homework and Data Assignments	10%
Quizzes and Participation	10%

Comparative Essay: You will write a 4-6 page paper comparing the Great Recession to the Great Depression.

Homework: There will be six homework assignments. Four of the homeworks will require you to collect and graph data. You may discuss the assignment with other students but the work you turn in must be your own. Late homework will be accepted, but will only receive half credit. No homework will be accepted after Thanksgiving break.

Quizzes: There will be unannounced quizzes on the readings.

Participation: Participation includes attendance, active listening, and contributions to class discussions. Anyone missing more than five classes will receive a zero for participation.

Academic Honesty: A student who is academically dishonest is claiming an advantage not available to other students. The instructor is responsible for ensuring that all students compete on a level playing field.

For Wabash policies, see <https://www.wabash.edu/news/docs/AcademicHonestyGuide.pdf>.

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
Alan Blinder, *After the Music Stopped*, Penguin Press, 2013

Other readings will be available on Canvas.

How to do well in this course:

1. Attend class. Take notes, and review them before the exams.
2. Do the readings. Take notes on your reading, both for class discussion and to review for the exams.
3. Turn in all the assignments.
4. Ask questions about things you don't understand (before the exam).

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 Univ. Press, 2000, Ch. 1 & 7

Kerry Odell and Marc Weidemeir, "Real Shock, Monetary Aftershock: The 1906 San Francisco Earthquake and the Panic of 1907," *Journal of Economic History*, Dec. 2004, 64:1002–1027.

Eugene Nelson White, "A Reinterpretation of the Banking Crisis of 1930," *Journal of Economic History*, March 1984, 44: 119-183.

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

E. Consequences of the Great Depression

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

Andrew Seltzer, "The Effects of the Fair Labor Standards Act of 1938" *Journal of Economic History*, June 1997

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

Alan Blinder, *After the Music Stopped*, Ch. 1–9, 13–14.

Schedule

Date	Assignment	Topic	Reading
Aug. 26		The Great Depression and the Great Recession	
29		Bubbles	Galbraith Ch. 1–4
31		Bubbles	Galbraith Ch. 5–8
Sept. 2	HW1	Bubbles: Efficient Markets Theory	
5		Bubbles	Shiller Ch. 1, 2, 4
7		Bubbles	Shiller Ch. 6–8
9		Bubbles	Shiller Ch. 9–11
12		Money	
14		Banking	
16	HW2	"American Experience: The Crash of 1929"	
19		Deposit insurance	Calomiris, 1990, "Is Deposit Insurance Necessary?"
21		Banking Panics	Wicker, Ch. 1
23	HW3	Banking Panics	
26	TEST ONE		
28		1907 Panic	Wicker Ch. 7

30		1907 Panic	Odell and Weidenmier, 2004, "Real Shock, Monetary Aftershock"
Oct. 3		Panics during the Depression	White, 1984, "A Reinterpretation of the Banking Crisis of 1930"
5		Macroeconomics Review	
7		Gold Standard	
10	HW4	Causes	Keynes
12		Causes	Friedman and Schwartz, Ch. 7, section 1
FALL BREAK			
17			Friedman and Schwartz, Ch. 7, section 5
19			Friedman and Schwartz, Ch. 7, section 7
21	HW5	Europe	
24		Europe	Kindleberger Ch. 7, 14
26	TEST TWO		
28		Causes	Temin Ch. 1
31		Causes	Temin Ch. 2
Nov. 2	HW6	Recovery	Temin, Ch. 3, pp. 89–108
4		Recovery	Romer, 1992, "What Ended the Great Depression?"
7		1937 recession	
9		Consequences	Temin, Ch. 3, pp.108–137
11		New Deal	
14		NIRA, AAA	
16		New Deal	Seltzer, 1997, "Effects of the Fair Labor Standards Act"
18		Growth of Government	Higgs, 1985, "Crisis, Bigger Government, and Ideological Change"
THANKSGIVING BREAK			
Dec. 2		Intro to the Great Recession	Blinder Ch. 1
4		Great Recession	Blinder Ch. 2–3
6	TEST THREE		
9		Great Recession	Blinder Ch. 4–6
11		Great Recession	Blinder Ch. 7–9
13		Great Recession	Blinder Ch. 13–14
Dec. 13	PAPER DUE 4:30 pm		