**Econ 213 Topics in US Economic History: The Great Depression Fall 2018**

MWF 3:10–4:00 pm

Baxter 311

Professor Joyce Burnette

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Office Hours: You are welcome to stop by anytime.

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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 if 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 8%

Quizzes and Participation 12%

Keep track of your scores as I hand material back. Canvas does not know your grade.

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

*Homework:* There will be five homework assignments. Three 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, 2009

Robert Shiller, *Irrational Exuberance*, 3rd ed., Princeton Univ. Press, 2015

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 on paper,[[1]](#footnote-1) 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. 1–3, 5 4, 6–11

**B. Banking Panics**

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

Charles Calomiris, “The Political Lessons of Depression-era Banking Reform,” in Nicholas Crafts and Peter Fearon, *The Great Depression of the 1930s: Lessons for Today*, Oxford Univ. Press, 2013, pp. 165–187.

Charles Calomiris and Gary Gorton, “The Origins of Banking Panics” in Calomiris, ed., *US Bank Deregulation in Historical Perspective*, 2000, pp. 93-100, 106-116.

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

Elmus Wicker, 1980, “A Reconsideration of the Causes of the Banking Panic of 1930” *Journal of Economic History*, 40:571-583

**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

Bernard Bellush, *The Failure of the NRA*, Norton, 1975, Ch. 3

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. 24 |  | The Great Depression and the Great Recession | |  |
| 27 |  | Bubbles | | Galbraith Ch. 1–4 |
| 29 |  | Bubbles | | Galbraith Ch. 5–8 |
| 31 | HW1 | Efficient Markets Theory | |  |
| Sept. 3 |  | Bubbles | | Shiller Ch. 1–3, 5 |
| 5 |  | Bubbles | | Shiller Ch. 7, 9–10 |
| 7 |  | No Class | |  |
| 10 |  | Trade | | Prof. Irwin |
| 10 8:00 pm, Go to Rogge Lecture | | | | |
| 12 |  | Bubbles | | Shiller Ch. 11 |
| 14 |  | Money | |  |
| 17 |  | Banking | |  |
| 19 | HW2 | Deposit insurance | | Calomiris, 1990, "Is Deposit Insurance Necessary?" |
| 21 |  | Deposit insurance | | Calomiris, 2013, “Political Lessons” |
| 24 | TEST ONE |  | |  |
| 26 |  | Banking Panics | | Calomiris & Gorton, 2000, “The Origins of Banking Panics” pp. 93-100, 106-116. |
| 28 |  | 1907 Panic | | Wicker Ch. 7 |
| Oct. 1 |  | Panics during the Depression | | Wicker, 1980, “A Reconsideration of the Causes of the Banking Panic of 1930” |
| 3 |  | Macroeconomics Review | |  |
| 5 |  | Causes | | Keynes |
| 8 | HW3 | Gold Standard | |  |
| 10 |  | Causes | | Friedman and Schwartz, Ch. 7, section 1 |
| FALL BREAK | | | | |
| 15 |  | Causes | | Friedman and Schwartz, Ch. 7, section 5 |
| 17 |  | Causes | | Friedman and Schwartz, Ch. 7, section 7 |
| 19 | HW4 | Europe | |  |
| 22 |  | Causes | | Kindleberger Ch. 7, 14 |
| 24 |  | Causes | | Temin Ch. 1 |
| 26 |  | Causes | | Temin Ch. 2 |
| 29 | TEST TWO |  | |  |
| 31 |  | Recovery | | Temin, Ch. 3, pp. 89–108 |
| Nov. 2 |  | Recovery | | Romer, 1992, "What Ended the Great Depression?" |
| 5 | HW5 | Recovery, 1937 recession | |  |
| 7 |  | Consequences | | Temin, Ch. 3, pp.108–137 |
| 9 |  | NIRA | |  |
| 12 |  | New Deal | |  |
| 14 |  | NIRA | | Bellush, *The Failure of the NRA*, Ch. 3 |
| 16 |  | Growth of Government | | Higgs, 1985, "Crisis, Bigger Government, and Ideological Change" |
| THANKSGIVING BREAK | | | | |
| 26 |  | | Intro to the Great Recession | Blinder Ch. 1 |
| 28 |  | | Great Recession | Blinder Ch. 2–3 |
| 30 | TEST THREE | |  |  |
| Dec. 3 |  | | Great Recession | Blinder Ch. 4–6 |
| 5 |  | | Great Recession | Blinder Ch. 7–9 |
| 7 |  | | Great Recession | Blinder Ch. 13­–14 |
| 13 | PAPER DUE Noon | |  |  |

1. You will not learn as much if you try to take notes on a computer. See P.A. Mueller and D.M. Oppenheimer, “The Pen is Mightier than the Keyboard”, *Psychological Science,* 2014, 25:1159-68) [↑](#footnote-ref-1)