

Economics 664, Second Half

Business Cycle History

Josh Hausman

Readings

Required book:

Friedman, Milton and Anna Jacobson Schwartz 2008 [1963]. *The Great Contraction*, Princeton: Princeton University Press.

Note: This is an excerpt from Friedman and Schwartz's book *A Monetary History of the United States* (1963). If you are interested in pursuing macro history, I recommend purchasing this entire book instead of the excerpt. It is a fantastic book and is well worth the money.

Recommended book

For those students who wish to obtain a more comprehensive narrative of the Great Depression, as well as more understanding of its implications for current policy, I recommend a recent book by Barry Eichengreen, *Hall of Mirrors* (2015, Oxford: Oxford University Press).

Other course readings: Other than these books, almost all readings can be easily found through the Michigan library website (e.g. JSTOR). If not, there will be a link below.

Assignments and grading:

Students will complete one problem set, two in-class presentations of a paper on the reading list, and a 5-10 page research proposal which they will present to the class.

Grades will be weighted as follows:

- Problem set: 10 percent.
- Presentations of reading list papers: 20 percent.
- Research proposal and presentation: 60 percent.
- Class participation: 10 percent.

Daily schedule. ALL READINGS ARE REQUIRED AND SHOULD BE DONE BEFORE CLASS.

2/28: Introduction to business cycle history

- Solow, Robert M. 1985. "Economic History and Economics." *American Economic Review*, 75:2, pp. 328-331.
- Calomiris, Charles W. and Christopher Hanes. 1994. "Historical Macroeconomics and American Macroeconomic History." NBER working paper 4935. (Published in *Macroeconometrics*, 1995, Springer Netherlands, Kevin Hoover, ed., pp. 351-424.)

3/12: Historical data

- Davis, Joseph H. 2004. "An Annual Index of U.S. Industrial Production." *Quarterly Journal of Economics*, 119:4, pp. 1177-1215.
- Romer, Christina. 1986. "Spurious Volatility in Historical Unemployment Data." *Journal of Political Economy*, 94:1, pp. 1-37.

3/14: The Gold Standard

- Bordo, Michael D. 1981. "[The Classical Gold Standard: Some Lessons for Today.](#)" *Federal Reserve Bank of St. Louis Review*, 63:5, pp. 2-17.
- Barsky, Robert B. and Lawrence H. Summers. 1988. "Gibson's Paradox and the Gold Standard." *Journal of Political Economy*, 96:3, pp. 528-550.
- Barsky, Robert B. and J. Bradford De Long. 1991. "Forecasting Pre-World War I Inflation: The Fisher Effect and the Gold Standard." *Quarterly Journal of Economics*, 106:3, pp. 815-836.

3/19: Causes of 19th century U.S. business cycles

- Hanes, Christopher and Paul W. Rhode. 2013. "Harvests and Financial Crises in Gold Standard America." *Journal of Economic History*, 73:1, pp. 201-246.
- Jalil, Andrew. 2015. "A New History of Banking Panics in the United States, 1825-1929." *American Economic Journal: Macroeconomics*, 7:3, pp. 295-330.

3/21: The Great Depression in the U.S. I

- Hausman, Joshua K., Paul W. Rhode, and Johannes F. Wieland. 2019. "Farm Prices, Redistribution, and the Severity of the Early U.S. Great Depression." Working Paper.
- Gorton, Gary, Toomas Laarits, and Tyler Muir. 2019. "1930: First Modern Crisis." NBER Working Paper 25452.
- Olney, Martha L. 1999. "Avoiding Default: The Role of Credit in the Consumption Collapse of 1930." *Quarterly Journal of Economics*, 114:1, pp. 319-335.

3/26: The Great Depression in the U.S. II

- Miron, Jeffrey A. 1994. "Empirical Methodology in Macroeconomics: Explaining the Success of Friedman and Schwartz's 'A Monetary History of the United States, 1867-1960.'" *Journal of Monetary Economics*, 34, pp. 17-25.
- Friedman, Milton and Anna Jacobson Schwartz 2008 [1963]. *The Great Contraction*, Princeton: Princeton University Press. pp. 1-111 (through section 4 on the "international character of the contraction.")

3/28: The Great Depression in the U.S. III

- Friedman, Milton and Anna Jacobson Schwartz 2008 [1963]. *The Great Contraction*, Princeton: Princeton University Press. pp. 112-end.
- Gordon, Robert J. and James A. Wilcox. 1978. "Monetarist Interpretations of the Great Depression: An Evaluation and Critique." NBER Working Paper 300. (Published in *The Great Depression Revisited*, 1981, Boston: Martinus Nijhoff, Karl Brunner, ed., pp. 49-107.)

4/2: Alternative monetary policy

- Christiano, Lawrence, Roberto Motto, and Massimo Rostagno. 2003. "The Great Depression and the Friedman-Schwartz Hypothesis." *Journal of Money, Credit and Banking*, 35:6, part 2, pp. 1119-1197.
- Richardson, Gary and William Troost. 2009. "Monetary Intervention Mitigated Banking Panics during the Great Depression: Quasi-Experimental Evidence from a Federal Reserve District Border, 1929-1933." *Journal of Political Economy* 117:6, pp. 1031-1073.

4/4: Liquidationism: Alternative views

- DeLong, J. Bradford. 1990. "'Liquidation' Cycles: Old-Fashioned Real Business Cycle Theory and the Great Depression." NBER Working Paper 3546.
- Eichengreen, Barry and Kris Mitchener. 2003. "The Great Depression as a Credit Boom Gone Wrong."
<http://eml.berkeley.edu/~eichengr/research/bisconferencerevision5jul30-03.pdf> (Published in *Research in Economic History*, 2004, v. 22, pp. 183-237.)

4/9: Recovery in the U.S.

- Romer, Christina. 1992. "What Ended the Great Depression?" *Journal of Economic History* 52:4, pp. 757-784.
- Hausman, Joshua K., Paul W. Rhode, and Johannes F. Wieland. "Recovery from the Great Depression: The Farm Channel in Spring 1933." *American Economic Review*, 109:2, pp. 427-472.

4/11: The New Deal

- Fishback, Price V. and John Joseph Wallis. "What was New About the New Deal?" NBER Working Paper 18271 (Published in *The Great Depression of the 1930s: Lessons for Today*, 2013, Oxford: Oxford University Press, Nicolas Crafts and Peter Fearon, eds., pp. 290-327.)
- Cole, Harold L. and Lee E. Ohanian. 2004. "New Deal Policies and the Persistence of the Great Depression: A General Equilibrium Analysis." *Journal of Political Economy*, 112:4, pp. 779-816.

4/16: Depression and recovery abroad

- Eichengreen, Barry and Jeffrey Sachs. 1985. "Exchange Rates and Economic Recovery in the 1930s." *Journal of Economic History*, 45:4, pp. 925-946.
- Cole, Harold L., Lee E. Ohanian, and Ron Leung. 2007. "Deflation and the International Great Depression: A Productivity Puzzle." NBER Working Paper 11237.

4/18: History and contemporary questions

- Jorda, Oscar, Katharina Knoll, Dmitry Kuvshinov, Moritz Schularick, and Alan M. Taylor. 2019. "The Rate of Return on Everything, 1870-2015." NBER Working paper 24112.
- Romer, Christina D. 2015. "[The Aftermath of Financial Crises: Each Time Really is Different.](#)" Sir John Hicks Lecture in Economic History, Oxford University, April 28.

4/23: In-class presentations of research proposals. RESEARCH PROPOSAL DUE.