The Great Depression
B30.2129.10
Fall 2010
(November 3 – December 15)

Wednesdays, 6:00pm – 9:00pm
Room 5-85

Professor: Amity Shlaes
Office: TBD on Wednesdays before class
Email: amityshlaes@gmail.com

Course Website:
Blackboard

Teaching Fellow: Joe Hoffman (joseph.hoffman@stern.nyu.edu)
CFR Research Associate: Nikolai Krylov (nkrylov@cfr.org)

Course Description, Objectives, and Requirements:


The Great Depression was this nation’s financial Katrina, the perfect storm that changed the country forever, the one we think of when we hear of market plunges today. Yet the details of that period remain hazy to us. President Franklin Roosevelt spoke of “the forgotten man,” and this period is also forgotten in our national memory.

This course has two aims. The principal one is to familiarize us with America’s worst crisis – the downturn that lasted a full decade, the unemployment that ranged high into the twenties, the devastating deflation, the financial whirlwind in which banks failed and so many homes were lost. Though it is hard to imagine, the Dow Jones Industrial Average did not return to its 1929 level until the mid-1950s.

The second aim of the course is to show how the events of that period, both disaster and rescue, continue to affect aspects of economic life today. The New Deal inspired, but it also set the trend that led to the prohibitive modern entitlements – such as Medicare Part D – that so darken the nation’s fiscal future. The memory of Depression-time monetary errors – national leaders mistook deflation for inflation – are certainly a factor in the thinking of Fed Chairman Ben Bernanke’s handling of the 2008 crisis. The commitment of Presidents Herbert Hoover and Franklin Roosevelt to strengthening homeownership led them to create institutions that were important to America’s postwar stability. But today the descendants of those institutions, Fannie Mae and Freddie Mac, are contributing to market vulnerability. Students will gain from this course with a number of reference points that will enable them to evaluate political and economic changes today.
**Required Texts:**


*NOTE: Read Smiley before Shlaes.*


*There may be additional required readings that will be posted before each class.*

**Additional/Optional Texts:**


**Grades:**

Final Research Paper 40%

Test (Multiple Choice Questions, based on Shlaes, Smiley) 40%

Participation: 20%

Please note that plagiarism will not be tolerated. Students who submit a paper that is either not entirely their own or one that is not properly attributed will receive a zero on that assignment. Students are responsible for learning and using proper citation forms. All quotations must be placed within quotation marks and cited, and all paraphrased material must also be cited.

**Attendance:**

Attendance and active participation in classroom discussions are expected. Because this class only meets six times, missed classes may adversely affect performance on the midterm and make preparation for the final paper more difficult. If you must miss a class, please notify the professor in advance by email. Attendance may affect your final grade.
**Research Paper:**

In 1500 words, discuss one New Deal institution and its role in mitigating or exacerbating the recent financial crisis (Deposit Insurance, Social Security, the FHA, the Democratic or Republican Party as shaped in the 1930s.) Make a clear argument as though arguing before a court. Extensive knowledge of the topic's background is important, but extensive displays of footnotes and citations are less so. Final papers are due electronically by 6pm EST on 12/15/2010. Please upload them to blackboard and email them to amityshlaes@gmail.com and cc nkrylov@cfr.org and joseph.hoffman@stern.nyu.edu.

**Course Outline:**

**Week 1 – November 3:**
Introduction and Relevance….The Predictable Black Swan
A Walk Through the Twenties

Readings:
- Intro and Chapter 1 in “The Forgotten Man”
- “Rethinking the Great Depression” by Gene Smiley

**Week 2 – November 10:**
The Course of the Crash
The 1930s Dow in the Perspective of History

Readings:
- Chapters 2, 3 and 4 in “The Forgotten Man”
- “The 1930s Financial Reforms in Historical Perspective” by Richard Sylla
- “The Great Crash of 1929 at Seventy-Five” by Richard Sylla
- Chapter 3 from “The Monetary Policy of the Federal Reserve - A History” by Robert Heztel

**Guest Speakers:** Professor Richard Sylla, John Prestbo (Dow Jones and Co, TBC)

**Week 3 – November 17:**
The Legislative Response – FDR and His 100 Days
The Class Warfare Response – the Prosecution of Insull and rise of TVA

Readings:
- Chapters 5, 6, 7 and 8 in “The Forgotten Man”

**Guest Speaker:** Nick Taylor

**Week 4 – December 1:**
The Chicken Versus the Eagle – the firm’s reaction to FDR’s NRA

*Test (Multiple Choice Questions)*
Week 5 – December 8:
Election as Edifice – The Presidential Campaign of 1936
Another Path: Andrew Mellon, the National Gallery and the Private Sector’s Answer to the Public Sector

Week 6 – December 15:
Class Takes Place at Council on Foreign Relations
58 East 68th Street (between Park Avenue and Madison)
New York, NY 10065
Contact for evening: Nikolai Krylov
The Forgotten Depression: 1937-1938
Crisis as Opportunity or Pretext for Reform – 1933,2008, and 2009
Readings:
  • “Economics and Public Welfare” by Benjamin Anderson

FINAL PAPERS DUE ELECTRONICALLY (BLACKBOARD AND EMAIL)
ON 12/15/2009 AT 6:00PM