

The Great Depression

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)

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Course Description, Objectives, and Requirements:

THE FORGOTTEN MAN: A New Look at the Great Depression and Its Meaning for Today.

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:

Shlaes, Amity. *The Forgotten Man: A New History of the Great Depression* (New York: HarperCollins, 2007).

Smiley, Gene. *Rethinking the Great Depression: A New View of Its Causes and Consequences* (Chicago: Ivan R. Dee, 2002).

NOTE: Read Smiley before Shlaes.

(Paper) Ohanian, Lee E. "What – or Who – Started the Great Depression?"

<http://www.economics.ucr.edu/seminars/spring08/ets/Ohanian.pdf>

Sylla, Richard "The Great Crash of 1929 at Seventy-Five"

http://www.moaf.org/resources/magazine/data/82/res/id=sa_File1/Article_82.pdf

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

Additional/Optional Texts:

Alter, Jonathan. *The Defining Moment* (Simon and Schuster, any edition).

Anderson, Benjamin. *Economics and the public welfare: a financial and economic history of the United States, 1914-1946* (Indianapolis: Liberty Press, 1979 or any other edition).

Cannadine, David. *Mellon: An American Life* (New York: A.A. Knopf, 2006).

Fishback, Price. *Government & the American Economy: a new history* (University of Chicago Press, 2007).

Galbraith, John Kenneth. *The Great Crash of 1929* (Boston: Houghton Mifflin, 1997 or any other edition).

Higgs, Robert. *Depression, War, and Cold War* (Oxford, United Kingdom: Oxford University Press, 2006).

Kindleberger, Charles P. *Manias, Panics, and Crashes: A History of Financial Crises* (Wiley, 2005)

McDonald, Forrest. *Insull*. (Chicago: University of Chicago Press, 1962)

(Paper) Ohanian, Lee E. *The Great Depression in the United States from a Neoclassical Perspective*.

http://www.minneapolisfed.org/research/pub_display.cfm?id=774

Rauchway, Eric. *The Great Depression and the New Deal: A Very Short Introduction* (Oxford; New York: Oxford University Press, c2008).

Rothbard, Murray. *America's Great Depression* (Princeton, N.J.: Van Nostrand 1963, or any other edition).

Schlesinger, Arthur Jr. *The Crisis of the Old Order* (Houghton Mifflin, any edition).

Sobel, Robert. *Coolidge: An American Enigma* (Washington, D.C.: Regnery Pub., c1998, or any other edition).

Taylor, Nick. *American-made: the enduring legacy of the WPA: when FDR put the nation to work* (New York: Bantam Book, 2008).

Wasik, John. *The Merchant of Power: Sam Insull, Thomas Edison, and the Creation of the Modern Metropolis* (New York: Palgrave Macmillan, 2006).

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