The Great Depression
B30.2391.10
Fall 2008
(November 5 – December 17)

Wednesdays, 6:00pm – 9:00pm

Professor: Amity Shlaes
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Email: ars356@stern.nyu.edu
Course Website: http://w4.stern.nyu.edu/registrar/schedules/2008FallMB2.html#Economics
Teaching Fellow: Brice Chaney (brice.chaney@nyu.edu)

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 aim 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 in the current day. The New Deal inspired, but it also set the trend that led to the prohibitive modern entitlements – 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 emerge from this course with a number of reference points that enable them to evaluate political and economic changes today.

Required Texts:


(Paper) Ohanian, Lee E. “What – or Who – Started the Great Depression?”
http://www.economics.ucr.edu/seminars/spring08/ets/Ohanian.pdf

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

**Additional/Optional Texts:**


**Grades:**
Final Research Paper 50%
Test (Multiple Choice Questions) 35%
Participation 15%

**Research Paper:**
Discuss one New Deal institution and its role in mitigating or exacerbating the 2008 Financial Crisis (Deposit Insurance, Social Security, the Democratic or Republican Party as shaped in the 1930s.) Clear argument is more important than citation; use two quotations or fewer, please. 1500 words. Final papers are due electronically by 6pm EST on 12/17/2008. Please email them to ars356@stern.nyu.edu and cc brice.chaney@nyu.edu.

**Course Outline:**

**Week 1 – November 5:**
Introduction and Relevance….This Predictable Black Swan
A Walk Through the Twenties, A Great Decade

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

**Week 2 – November 12:**
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
- 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)

**Week 3 – November 19:**
The Legislative Response – FDR and His 100 Days
The Class Warfare Response – the Prosecution of Insull and Mellon

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

Guest Speaker: Jonathan Alter

Week 4 – December 3:

The Chicken Versus the Eagle – the firm’s reaction to FDR’s NRA Test (Multiple Choice Questions)

Week 5 – December 10:

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 17:

The Forgotten Depression: 1937-1938
Crisis as Pretext for Reform – 1933 and 2008

Benjamin Anderson

FINAL PAPERS DUE ELECTRONICALLY ON 12/17/2008 AT 6pm