

**Economics 4710:  
The Economics of America's Great Depression**

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**Course Description**

Much of modern macroeconomic thought and policy can be traced to the Great Depression of the 1930s—the most severe depression in modern history. This course reviews economic arguments concerning the causes and consequences of that depression, with particular emphasis on U.S. experience. Particular emphasis is placed upon employing concepts and theories learned in intermediate macroeconomics (and also in money and banking classes) toward a better understanding of this crucial episode in economic history.

**Objectives**

The course has several objectives. One, already alluded to, is to give students an opportunity to apply theories to which they've already been exposed in other classes, and especially in intermediate macroeconomics, so as to gain a better understanding and appreciation of those theories. A second goal is to familiarize students with an episode that helped to shape many of today's economic policies and institutions. Finally, the course will give students an opportunity to compare and to assess rival claims concerning the causes of the depression and the factors responsible for the economy's eventual recovery.

**Requirements**

The course will be in the manner of a seminar, with short (30-45 minute) introductory lectures followed by general discussion periods, with discussions informed by assigned readings. I will serve as a sort of traffic-cop in directing the discussions, but otherwise I intend to let students do most of the talking. *It is therefore essential that students prepare for each class meeting by reading assigned materials in advance.* I also ask that each student come to class with *two* carefully thought-out questions *to be raised during the discussion period.* I also expect students to contribute to addressing questions raised by fellow students. We may not be able to handle all questions, but I will call on students randomly for their input. The class participation grade, which is worth up to 30 points, or 30 percent of the overall grade, will depend on your contributions to these discussions.

Apart from class participation, grades will depend on two mid-term exams (worth up to 20 points, or 20 percent of the grade, each) and a final exam (worth 30 points or 30 percent of the overall grade). The exams will probably consist of short essay questions, and may be offered on a take-home basis, but the final format of the exams remains at my

discretion. Students also have the option of submitting up to two 5-6 page book reports, worth up to 20 points each, which can serve as *substitutes* for either of the mid-term exams. Books may address important persons, industries, or controversies relating to the British Industrial Revolution. In any case the books chosen must be approved by me in advance. In general the first report must be submitted no later than the due date of the first mid-term, and the second must be submitted no later than the due date for the second mid-term. Exceptions may be made for students who miss exam deadlines owing to documented medical emergencies only. *Please note that, once an exam or report is submitted, the grade is final, and that exams cannot be made-up under any circumstances.*

### **Grades**

To summarize, the grade breakdown is as follows:

Participation:	30 points
Mid-Term (or Report) I	20 points
Mid-Term (or Report) II	20 points
Final Exam	30 points

The letter grades will generally be based on standard 10-point intervals, e.g., 90 or above = A and so on. A "curve" making for a relaxed scale is possible, but please don't count on it!

### **Reading Materials**

*Books (\* = Required)*

\*Anderson, Benjamin. *Economics and the Public Welfare*. Indianapolis: Liberty Press. ("A")

\*Powell, Jim. *FDR's Folly: How Roosevelt and His New Deal Prolonged the Great Depression*. New York: Crown, 2003. ("P")

Friedman, Milton, and Anna J. Schwartz. *The Great Contraction*. Princeton: Princeton University Press, 1963. ("FS")

\*Hall, Thomas E., and J. David Ferguson. *The Great Depression: An International Disaster of Perverse Economic Policies*. Ann Arbor: University of Michigan Press, 1998. ("HF")

Rothbard, Murray. *America's Great Depression*. Auburn, AL: The Ludwig von Mises Institute, 2005. ("R")

## Articles

Bastiat, Frederic. "The State," from idem., *Selected Essays in Political Economy*.

Black, Conrad. "How Roosevelt Saved American Capitalism...and Brought Us Out of the Depression." *The Wall Street Journal*, October 29, 2003.

Bordo, Michael D. Review of *Golden Fetters: The Gold Standard and the Great Depression*, by Barry Eichengreen.

Chamberlin, Edward. "Purchasing Power." In Douglass Brown et al., *The Economics of the Recovery Program*. New York: Whittlesey House, 1934.

Epstein, Richard. "The Mistakes of 1937." *George Mason University Law Review*, Winter 1988.

Flood, Mark D. "The Great Deposit Insurance Debate." *Federal Reserve Bank of St. Louis Review*, July-August 1992.

Garrison, Roger. "The Great Depression Revisited." *Independent Review*, Spring 1999.

Hazlitt, Henry. "The Fallacies of the N.R.A." *The American Mercury*, December 1933.

Heilbroner, Robert. "Socialism." From the *Concise Encyclopedia of Economics*.

Higgs, Robert. (Higgs 1) *Crisis and Leviathan: Critical Episodes in the Growth of American Government*. New York: Oxford University Press, 1987.

Higgs, Robert. (Higgs 2) "Regime Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed After the War." *Independent Review*, Spring 1997.

Higgs, Robert. (Higgs 3) "Wartime Prosperity? A Reassessment of the U.S. Economy in the 1940s." *Journal of Economic History*, March 1992.

Holzer, Henry Mark. "How American's Lost their Right to Own Gold and Became Criminals in the Process." *Brooklyn Law Review* 517 (1973).

Margo, Robert. "Employment and Unemployment in the 1930s." *Journal of Economic Perspectives*, June 1933.

O'Brien, Anthony. "Smoot-Hawley Tariff." E.

Powell, Jim. "America's Greatest Depression Fighter (No, it wasn't Franklin

Roosevelt).”

Santoni, Gary. “The Great Bull Markets 1924-29 and 1982-87: Speculative Bubbles or Economic Fundamentals?” Federal Reserve Bank of St. Louis *Economic Review*, November 1987.

Schivelbusch, Wolfgang. “Public Works.” From *Three New Deals: Reflections on Roosevelt’s America, Mussolini’s Italy, and Hitler’s Germany, 1933-1939*. New York: Metropolitan Books, 2006.

Selgin, George (Selgin 1). “Are Banking Crises Free-Market Phenomena?” *Critical Review*.

Selgin, George (Selgin 2). Review of Hall and Ferguson’s *The Great Depression: An International Disaster of Perverse Economic Policies*. *Southern Economic Review*, January 1999.

Taylor, Jason E., and George Selgin. “By Our Bootstraps: Origins and Effects of the High-Wage Doctrine and the Minimum Wage.” *Journal of Labor Research*, Fall 1999.

Temzelides, Ted. “Are Bank Runs Contagious?” Federal Reserve Bank of Philadelphia *Business Review*, November/December 1997.

Timberlake, Richard. “The Reserve Requirement Debacle of 1935-1938.” *The Freeman*, June 1 1999.

Wallis, John Joseph. “The Political Economy of New Deal Spending Revisited, Again: With and Without Nevada.” *Explorations in Economic History*, April 1998.

Walter, John R. “Depression-Era Bank Failures: The Great Contagion or the Great Shakeout?” Federal Reserve Bank of Richmond *Economic Quarterly*, Winter 2005.

Wheelock, David. “Monetary Policy in the Great Depression.” *Federal Reserve Bank of St. Louis Review*, March-April 1992.

White, Eugene N. “The Stock Market Boom and Crash of 1929.” *Journal of Economic Perspectives*, Spring 1990.

Wigmore, Barry. “Was the Bank Holiday of 1933 Caused by a Run on the Dollar?” *Journal of Economic History*, September 1987.

*Web Resources*

“The Great Depression: Rebuilding America.” Teaching America History Grant Project. An excellent source of documents, especially concerning New Deal policies in the western states. However, it endorses the usual myths, and draws hardly at all from economic studies of the depression. At [http://www.upa.pdx.edu/IMS/currentprojects/TAHv3/Content/Great\\_Depression.html](http://www.upa.pdx.edu/IMS/currentprojects/TAHv3/Content/Great_Depression.html). Particularly useful are several maps available on this site, at <http://www.upa.pdx.edu/IMS/currentprojects/TAHv3/Content/Depression/Great%20Depression%20Maps.pdf>

“Did the New Deal Prolong the Great Depression?” *Marginal Revolution* blog, at [http://www.marginalrevolution.com/marginalrevolution/2007/01/did\\_the\\_new\\_dea.html](http://www.marginalrevolution.com/marginalrevolution/2007/01/did_the_new_dea.html)

### Lecture Topics and Assigned Readings

(Each topic will be introduced by a short lecture, to be followed by a seminar-style discussion of one or more assigned readings. You are, of course, expected to have read assigned readings prior to the meetings devoted to discussing them. Readings from the required books are indicated by the author’s initial followed by assigned chapters: thus “A-1” means Anderson, chapter 1.)

1. The Great Depression: Indisputable Fact, Popular Conventions, and Ongoing Controversies. HF 1. [Black](#). Newsreel of FDR’s October 23, 1933 address (U-Tube). At <http://www.youtube.com/watch?v=PXY7TkrPPzI>
2. The Recession of 1920-21. A7-10.
3. The Great Bull Market: Domestic and International Influences. A16-27; HF 2; [White](#); [Santoni](#)
4. The Great Slump. [Margo](#). HF 5; Thayer Watkins, “The Depression of the 1930s and its Origins.” Online at <http://www.sjsu.edu/faculty/watkins/dep1929.htm>
5. The Role of Monetary Policy. H 3 and 4; P2; [Garrison](#); [Wheelock](#)
6. The Banking Crisis. HF 6.1 and 8.3; [Walter](#); [Temzelides](#); [Selgin 1](#). Map of bank Failures by Country, 1928-1933: Online at <http://www.upa.pdx.edu/IMS/currentprojects/TAHv3/Content/Depression/Bank%20Failure%20Map%20Poster%201928-33.pdf>
7. The Bank Holiday. A39-44; P4. [Flood](#). [Wigmore](#). [FDR’s first fireside chat \(audio\)](#).
8. The Dismantlement of the Gold Standard. A-45; P5; [Bordo](#), [Holzer](#).

9. Hoover and Laissez-Faire. A31-38; HF 8.1; P3; Taylor and Selgin; [Powell](#) (article); R7-12; [Rothbard](#).
  - a. The myth
  - b. “The Great Engineer”
  - c. Hoover’s response to the crisis
  - d. Hoover’s fiscal policy.
  - e. Harding: a *real* “do nothing” president.
10. The Smoot-Hawley Tariff. [O’Brien](#).
11. Government Spending
  - a. The Depression and the Growth of Government. [Higgs 1](#).
  - b. Relief or Votes? P7, [Bastiat](#); [Wallis](#).
12. The New Deal and Totalitarianism. [Schivelbusch](#).
13. The N.R.A.: No Recovery Allowed. A48-50; HF 9; P9 and 12, [Higgs 2](#); [Hazlitt](#); [Chamberlain](#); [Heilbroner](#).
14. Agricultural Policy. P10
15. New Deal Labor Laws. P14. The National Labor Relations Act: online at <http://www.upa.pdx.edu/IMS/currentprojects/TAHv3/Content/Depression/National%20Labor%20Relations%20Act.pdf>  
Maps of Unemployment by County, 1930, 1937, and 1940: online at <http://www.upa.pdx.edu/IMS/currentprojects/TAHv3/Content/Depression/Unemployment%20Map%20Poster%201920-40.pdf>
16. 1937-8: The Depression within the Depression. A66-70; HF 11; P16; [Timberlake](#)
17. Wartime Recovery? A75-6 and 79; HF 12; [Higgs 3](#); Thayer Watkins, “The Recovery from the Depression of the 1930s.” Online at <http://www.sjsu.edu/faculty/watkins/recovery.htm>
18. Aftermath and Lessons. A74; HF 13; P18, P19.

