Economics 338: Economic History of the United States
Fall, 2012
Professor J. Gerber

Phone: 594-5532  Email: jgerber@mail.sdsu.edu
Office: AH 4180  Office hours: Tu, 2-3; Wed 2-4; and by appt.

Course objective
Economics 338 is a general introduction to US economic history since the Civil War. It is selective in the topics it covers and focuses heavily on the rise of big business in the late 19th and early 20th centuries, economic growth, financial crises, and macroeconomic policy making since the onset of the Great Depression. After completing this course, students will be able to:

- Gather and analyze data on the US economy since the early 1800s;
- Create charts and tables of historical US economic data;
- List and define four types of financial crises;
- Relate and discuss the strengths and weaknesses of the major explanations for the Great Depression;
- Describe the key components of the Bretton Woods system;

Reading
All students are expected to purchase and read:

1. The Rise of Big Business, Glenn Porter
2. The Panic of 1907, Robert F. Bruner and Sean D. Carr
3. The Great Depression and the New Deal, Eric Rauchway
4. The Great Crash, JK Galbraith
5. Presidential Economics, Herbert Stein

Two additional works are available on the Blackboard site for the course. These are also required.

1. “So Close and Yet So Different,” Why Nations Fail (Chapter 1), Daron Acemoglu and James Robinson, 2012.
2. The ABC of the Federal Reserve System, Walter Kemmerer

Grades
Midterms (2): 30%

The midterms are take-home. I will give you 48 hours to complete them. They are 5-pages, more or less, double-spaced and must be submitted online via the Turnitin.com website that is linked to Blackboard. I will post more complete instructions as the semester progresses.

Final: 20%

The final is an in-class essay exam. I will put several sets of study questions online as the semester proceeds. These are to help you focus on the key issues and ideas.

Quizzes: 20%
The quizzes are weekly or more often and are not announced in advance. They test whether you did the assigned reading by asking a simple question about the reading and allowing 5 minutes to write a response. I will only count your highest 80% of the quizzes (e.g., if there are 20 quizzes, your best 16 count).

Short papers (2): 30%
The short papers are 4-5 pages each and require you to create tables and/or charts of historical economic data and to analyze their meaning. We will talk about these in class and I will introduce you to data sources and give you a list of suggested topics. One paper will draw from the period 1870-1950 and the other from 1950-2010. They will be submitted in hardcopy and through Turnitin.com. Five of the fifteen points for each paper are for a proposal.

**General comments about your grade**
Please feel free to ask me anytime about your grade in the course. If you come to office hours, we can talk about it in private and I will have time to provide more suggestions. I assign pluses and minuses, but the letter grades are as follows: 85-100 A range; 75-84 B range; 60-74 C range; 50-59 D range. Success in class is highly correlated with (1) regular attendance and (2) completed readings and assignments on time.

**Student Conduct**
Students are expected to comply with the California State University code of conduct: [http://www.sa.sdsu.edu/srr/conduct1.html](http://www.sa.sdsu.edu/srr/conduct1.html)

**Course Outline**
Reading should be done before the start of class. In cases where an assignment is spread over two or more classes, I will tell you in advance how far to read for the next class. Generally, I divide the reading into equal parts (number of pages ÷ number of classes).

**August 28**
Course introduction.

**August 30: The US in comparison, qualitative view.**
Why did the US grow rich while other countries lagged? Are there common characteristics that are shared by most of the early developing countries?


**September 4/6: The US in comparison, quantitative view.**
Measuring the historical economy: GDP, growth phases, and data. A quantitative comparison of the United States and other countries, 1800-2010. A look at some data sources and discussion about the short papers.

- Porter, pages 1-30 (Chapter 1).

**September 11/13: The rise of big business.**
In the 1870s, American industrialization begins to take off. Over the next few decades, businesses become interregional, professional managers take over from family members, modern financial markets emerge to supply the necessary capital, and farmers, workers, consumers, and small firms face competition from large scale enterprises.

- Porter, pages 31-128 (Chapters 2 and 3).

**September 18/20: The crisis of 1907, a modern financial crisis**
Modern markets create wealth but they also generate instability. The 1907 crisis led to the creation of the Federal Reserve system, but it also illustrates a common pattern that will repeat itself throughout the 20th and 21st centuries. Financial crises are like snowflakes: everyone is different but they have a great deal in common.
- Bruner and Carr, pages xv-xix and 1-76 (Prologue, Introduction, and Chapters 1-10).

**September 25/27: A digression on financial crises.**
It helps to have a little theory and a grasp of economic policy, particularly monetary and fiscal policy.
- Bruner and Carr, pages 105-150 (Chapter 11-20).

**Midterm #1 will be available by the start of class on September 25 and due by the start class on September 27.** You must turn the paper in via the Turnitin.com system that is linked to the Blackboard site.

**October 2/4: The formation of the Federal Reserve.**
Business cycle data and financial crises data: How frequent, how severe? What problems was the Federal Reserve (The Fed) designed to solve?
- Kemmerer, pages 1-27 (Chapters 1-5).

**October 4: Submit a one page proposal for your first paper.**
You must specify what data source you will use (pages and table numbers as well as the title of the source), along with a statement telling what you hope to learn. It must be double-spaced.

**October 9: The gold standard in history.**
A return to the gold standard is highly unlikely. At least it is unlikely as long as we live in something we call civilization—if we blow ourselves to smithereens, then all bets are off. Some politicians (those of the anti-government flavor) think a gold standard is highly desirable. They are not economists and the belief in a golden past is fool’s gold, not the real thing.
- Kemmerer, pages 28-98 (Chapters 6-9).

**October 11/16: Leading up to the Great Depression**
Joke: What is the difference between a recession and a depression? A recession is when your neighbor loses their job, a depression is when you lose yours.
Note that the National Bureau of Economic Research (NBER), a private think-tank with responsibility for deciding the official start and stop dates for recessions does not
differentiate between recessions and depressions. Nor do they have a simple definition: “The NBER does not define a recession in terms of two consecutive quarters of decline in real GDP. Rather, a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales” (NBER Website www.nber.org). We will look at data on the US economy and try to see the patterns of growth and prosperity of the 1920s (farmers saw little growth or prosperity) and the collapse that came in the 1930s.

- Rauchway, pages 1-37 (Introduction, Chapters 1 & 2).
- Galbraith, pages 1-65 (Chapters 1-3).

October 18: No class

October 23: First paper due at the start of class.
Please submit a hardcopy to me and an electronic version via Turnitin.com

October 23/25: Theories of the Great Depression
For many years, the causes of the Great Depression was a main topic of controversy and research by economic historians. Today, there is a fairly broad consensus about the economics of it.

- Rauchway, pages 39-133 (Chapters 3-7; Conclusion)
- Galbraith, pages 66-107 (Chapters 4-5).

October 30/November 1: What did Roosevelt do? What should he have done?
The first 100 days were a whirlwind of activity, yet the view that Roosevelt had some plan or that he wanted to expand government to take over many of the activities that were left to individuals, is erroneous. Roosevelt did expand government and he did have a course of action, even if it was not a coherent plan.

- Galbraith, pages 108-197 (chapters 6-9).

Midterm #2 will be available by the start of class on October 30 and due by the start class on November 1. You must turn the paper in via the Turnitin.com system that is linked to the Blackboard site.

November 6/8: How did we get out of it?
World War II is usually credited with ending the depression. Why didn’t it end sooner? Maybe it did, since growth was robust from mid-1933 until mid-1937 when we went back into depression again (May, 1937-June, 1938). The role of WWII has caused many people to believe that war is good for the economy. Think again.

- Stein, pages 15-64 (Chapters 1-2).

November 8: Submit a one page proposal for your second paper.
You must specify what data source you will use (pages and table numbers as well as the title of the source), along with a statement telling what you hope to learn. It must be double-spaced.
November 13/15: Bretton Woods and the Old “New World Order.”
After the war, the US and UK and other allies sought to build a more robust, peaceful international economy. In many ways, it worked as intended, but alas, it was not meant to last forever.
- Stein, pages 65-122 (Chapters 3-4)

November 20: Growth slowdowns and the end of Bretton Woods.
After 1973, economic growth slowed nearly everywhere. The causes are still debated, but the consequences are not. The changes were dramatic for the US and its role in the world economy.
- Stein, pages 133-234 (Chapters 5-6).

The Reagan presidency signaled a new direction in economic policy. Interestingly, it coincided with similar shifts in the UK (Thatcher), Canada (Mulroney), China (Deng Xiaoping), Latin America (the debt crisis of 1982-1989), and many other parts of the world. Something was in the air: neoliberalism, in the classic 19th century sense.
- Stein, pages 235-306 (Chapters 7-8).

November 29: Second paper due at the start of class.
Please submit a hardcopy to me and an electronic version via Turnitin.com

December 4/6: Can the 1970 and 1980s tell us anything about the choices we face today?
Budget deficits, inflation (real or feared), and the size of government were hot issues in the 1980s, as they are today. Politics and economics were intertwined then, as they are today. Can the experiences of the those decades tell us anything useful about the choices we face today?
- Stein, pages 307-376 (Chapter 9).

Final Exam: Tuesday, December 11, 8:00-10:00 (am)