

**RESIDENTIAL COLLEGE FIRST YEAR SEMINAR 108**  
**THE GREAT DEPRESSION OF THE 1930s: WHAT CAUSED IT? WHAT**  
**CURED IT? CAN ANOTHER OCCUR?**  
**Fall, 2003**

**I. Instructor/staff information**

name: Professor Ann Harper Fender

office: Glatfelter 103

office hours: Monday 2:15-3:45pm

Wednesday 3:30-5:00pm

Thursday 1:45-3:45pm

Friday 3:30-4:30pm

and by appointment

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**II. Course information**

class meeting times: Wednesday and Friday, 2:10-3:25pm; lab – Tuesday, 8pm, Glat 204

meeting place: Glatfelter 107 for MW class; Residence Hall for  
movies and Glatfelter 204 for computer labs

College requirements met- counts as Economics 104: Principles of Macroeconomics,  
one social science course

**III. Course description/goals**

This seminar uses the topic of the Great Depression of the 1930s as a case study to explore the principles of macroeconomics while simultaneously examining both the historical setting of the Depression and the data that give insight into its depth, breadth, and causes. We together will gain greater understanding of the impact of the depression on those who lived through it, its possible causes, and the lessons learned from it. In the course, students will read a basic macroeconomics text, but also history and fiction, will watch movies, and will discuss various facets of the depression and the decade that preceded it. During the semester students will work in groups to apply economic theory and quantitative skills in comparing the depression's impact in a particular region with its national impact.

**IV. Course expectations**

Students are expected to attend class, labs, scheduled movies and lectures and to participate fully in these activities. Additionally, students will take weekly Friday quizzes during the semester and a final exam. Periodically, typically on Friday afternoon, questions will be posted electronically; students will be expected to respond by the following Tuesday night.

Students in groups of three or four will choose a region of the US on which to focus during the semester. Each group will perform regional economic analyses similar to ones being developed in class for the economy as a whole. The groups will develop sections for the class web page that summarize their findings and will report to the class their conclusions. These projects will be described more fully in a handout.

Each student also will write four individual papers (4-5 pages each) comparing the group's region with national outcomes for specified topics such as supply/demand in agriculture, employment, output, banking and financial institutions, and other economic activity. A more detailed description of these papers is given in section VII below.

## V. Schedule of Topics and Assignments

Students should purchase John Kenneth Galbraith, The Great Crash; Gene Smiley's Rethinking the Great Depression: A New View of Its Causes and Consequences; and William Baumol and Alan Blinder's Macroeconomics: Principles and Policy; if you plan to take Economics 103: Principles of Microeconomics, you should purchase Baumol and Blinder's Economics: Principles and Policy. Books are available in the College Store. Assignments from them are listed below as Great Crash, New View, and Macroeconomics. Readings on reserve in the library are indicated by \*; some readings will be handed out in class and hence are noted as class handout.. During the semester, and indeed throughout your college career and beyond, you should read a national newspaper or periodic newsmagazine, being especially attuned to macroeconomic news. The choices are many and vary by editorial perspective; they include The Wall Street Journal, The New York Times, The Washington Post, The Christian Science Monitor. Newsmagazines include U.S. News & World Report, Time, Newsweek, and Business Week; for strong international coverage and more words per picture, try The Economist. All of these and many others are available through the bookstore. You also can find special student rates for semester long purchase plans through the instructor or the Economics Department.

<b>date</b>	<b>topic</b>	<b>reading assignment</b>
Sept 3, 5	Statistical profile of the Great Depression; what is economics, how does macroeconomics apply to 1930s?	Macroeconomics, ch 1, 2; New View, ch 1 film: "Seabiscuit" ?
Sept 10, 12	Supply/Demand Agriculture in the 1920s, '30s	Macroeconomics, ch 3, 5; Film:" Grapes of Wrath" New View, ch 2
Sept 15, 17, 19	The 1920s and Financial Markets Efficacy of markets?	The Great Crash Macro, ch 14, 23 Film: "The Great Gatsby"
Sept 19	<b>Visit to Library: LIR</b>	
Sept 24, 26	The International Economy	Macro, ch 33, 34 New View, pp. 8-12, 17-21, 59, 64
<b>Sept 26</b>	<b>First Paper due, 2:00pm</b>	
<b>Sept 30</b>	<b>Happy New Year's Eve Party</b>	<b>Glatfelter 111</b>
Oct 1, 3	The Numbers, the Goals	Macro, ch 21; appendix ch 24 *Lester Chandler, <u>America's Greatest Depression, 1929-1941</u> ,
Oct 8, 10	The Numbers, the Goals continued	Macro, ch 22 ch 1; *Puth, <u>American Economic History</u> , pp. 502-534 New View, ch 2
Oct 15, 17	Production, Growth, Productivity	Macro, ch 23 Film, "The Plow that Broke the Plains"
Oct 22, 24	Employment, unemployment	*Margo, Robert, "Employment and Unemployment in the 1930s," <u>Journal of Economic Perspectives</u> , spring, 1993
<b>Oct 22</b>	<b>Second paper due, 2:00pm</b>	
Oct 29, 31	Framework for Macroeconomic Analysis; the Demand Side	Macro, ch 24; New View, ch 2 film, "The River" Robert Higgs, "Reginme Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed after the War," <u>The Independent Review</u> , spring 1997, pp. 561-590.

		(handout)
Nov 5	More demand & fiscal policy	Macro, ch 25, New View, ch 3
Nov 7	Supply side approach; Phillips Curve	Macro, ch 26, 32
Nov 12, 14	Fiscal policy	Macro, ch 27 New View, ch 4 *Friedman, "John Maynard Keynes," ECONOMIC QUARTERLY, spring, 1987
Nov 19, 21	Money and Banking	Macro, ch 28, 29; *Priscilla Roberts, "Benjamin Strong, The Federal Reserve, and the Limits to Interwar American Nationalism, Part II:Strong and the Federal Reserve System in the 1920s," Federal Reserve Bank of Richmond <u>Economic Quarterly</u> 86 #2 (spring 2000) ( <a href="http://www.rich.frb.org.eq">http://www.rich.frb.org.eq</a> ) Film, "It's a Wonderful Life"
<b>Nov 19</b>	<b>Third paper due, 2pm</b>	
<b>Nov 26-30</b>	<b>Happy Thanksgiving</b>	
Dec 3, 5	Monetary vs. Fiscal Policy	Macro, ch 30, 31 Freedom from Fear, ch 8, 9, 10; *Wallis, "Employment in the Great Depression: New Data and Hypotheses," EXPLORATIONS IN ECONOMIC HISTORY 1989, 45-72;
<b>Dec 8</b>	<b>Fourth paper due 2pm; Group Presentations</b>	
Dec 10, 12	Debates over Macropolicy and the Causes of the Great Depression; Can a Great Depression Happen Again?	Macro, ch 35 New View, ch 5 Wallis, "The Great Depression: Can It Happen Again?." in D.McCloskey, ed, MYTHS AND MORALS OF U.S. ECONOMIC HISTORY; *Federal Reserve Bank of San Francisco Economic Newsletter, "The '87 Crash Ten Years Later," Oct 31, 1997
Dec 20, Saturday, 1:30-4:30pm	<b>Final exam</b>	

Additional books on reserve: Frederick Lewis Allen, Since Yesterday; John A. Garraty, The Great Depression; Jordan A. Schwarz, The New Dealers: Power Politics in the Age of Roosevelt; Peter Temin, Did Monetary Forces Cause the Great Depression; David Kennedy, Freedom from Fear

#### VI. Basis of Grade

Weekly quizzes/problems

10%

Lab	10%
class participation, electronic responses	15%
papers (four)	30%
group project (web and presentation)	15%
final exam	20%

Numerical grades from 90-100 will receive letter grades in the “A” range (A- to A+); 80-89, the “B” range (B- to B+); 70-79, the “C” range (C- to C+); 60-69, the “D” range (D- to D+); and less than 60, F.

## VII. DIRECTIONS FOR PAPERS

For each of the papers, consider carefully the topic. Do some research. Brainstorm with free flowing ideas about how to respond to the topic. Then write a rough draft of an essay that responds cohesively and coherently to the questions asked. Consider taking your rough draft to the Writing Center for assistance. After further thought, and perhaps more research, rewrite the paper. Each paper should be 1200 to 1500 words long. Each should have footnotes or endnotes to at least two references in addition to the assigned texts. Each should use relevant data and in each you should manipulate (in the best sense of the term) the data as you have seen illustrated in readings and class. Use graphs and charts where pertinent. Weave material from films, novels, and other class-related work into your paper.

Use a word processing package to produce your typed papers, with space and a half between lines, numbered pages, and heading at the beginning of each paper that gives title, number of paper, date, and course. Put you name and the signed Honor Code at the end of each paper. Staple pages together if a physical paper is generated. Alternatively, you may submit the paper electronically by using the electronic drop box attached to Blackboard.

Write for an audience of your peers: intelligent, well-read undergraduates who do know a little about the Great Depression.

### Paper Questions

#### Question I (due Sept 26, 2pm)

Amid the economic successes of the "Roaring '20s" in the United States, the agricultural sector evidenced weaknesses. Agriculture had boomed in the early 1900s and through the Great War (World War I). Do data on farm prices, output and incomes over the 1920s and into the 1930s indicate problems? Illustrate. Some analysts suggest that over expansion during the war, mechanization, declining immigration, and revival of European agriculture hurt agriculture in the U.S. Use supply and demand analysis to examine and explain the impact of each of these on equilibrium output and price and also on farm incomes. Explain the importance of various elasticities of demand and supply. Illustrate with relevant graphs. Depictions of the 1930s suggest that agriculture faced ecological as well as economic disaster. What evidence do you find for this?

#### Question II (due, Oct 20, 2pm)

Compare U. S. national income accounting figures for the decade of the 1930s with those for the 1990s. Set up graphs for decadal GNP or GDP, NNP, NI, DPI (if you can find them). Explain what each is and contrast what happened to each in the two decades. What were the levels of C, I, G, X and M for each year? Explain what each is. Illustrate price levels for each decade and contrast what happened to prices in the 1990s with what happened in the 1930s. Determine real per capita gnp for each year in the 1930s and real per capita gdp for each year in the 1990s. Explain what real per capita gnp and gdp are. What is the percentage change in nominal gnp between 1929 and 1939? Between 1989 and 1999? What is the percentage change in real gnp between 1929 and 1939? Between 1989 and 1999? What is the percentage change in real per capita income, 1929-1939? 1989-1999? What do all these figures suggest about economic well-being in the 1990s as compared with the 1930s? Give the unemployment rate for the same years. How are the product and employment figures related? Why are economists and governments interested in calculating national income accounts? When did the relevant data begin to be collected and

tabulated? Do you think the accounts perfectly measure social well-being? Explain. How might the figures overstate well-being in the 1990s as compared with the 1930s? Understate?

Question III (due Nov 19, 2pm)

Sketch an hypothetical aggregate demand/aggregate supply graph for the late 1920s and explain the resulting equilibrium. What happened to that equilibrium between the late 1920s and the mid-1930s? Illustrate. Why might the equilibrium have changed? Illustrate possible changes in aggregate demand. Examine each of the components of aggregate demand; did they change? Why? Did aggregate supply shift? Explain. What macro policies would you have advised Mr. Hoover and then Mr. Roosevelt to undertake? The Fed to undertake? How would your policies have affected the equilibrium GDP and price levels? Why weren't those policies undertaken (or were they)? How likely did aggregate demand/aggregate supply shift in your region? Did it mirror the national economy or did it differ significantly?

Question IV (due Dec 8, 2pm)

The U.S. Federal Reserve System was established in 1913-4 in response to concerns that the money supply responded procyclically rather than countercyclically and therefore aggravated rather than stemmed the economic fallout from financial and other economic crises. What (in the world) does this sentence mean? How could the Fed today counter contractions in the economy? Inflation in the economy? What happened to the components of the money supply 1929-1939? What happened to the total money supply? How do bank failures affect the money supply? Explain. Was bank failure prevalent in your region? Why? How did the Fed react to economic events, 1929-1933? Would you, in hindsight, have recommended that it react differently? Explain.

### **VIII. GROUP PROJECTS**

Each group of 3-4 students will select a region of the country to study during the semester. As each student prepares individual papers, the student will consider how the topic of the paper affected the region that the student's group is studying; e.g., did the supply/demand conditions that affected U.S. agriculture in the 1920s and 1930s severely affect the economy of the region? At the end of the semester, the group will present to the class a summary analysis of how its region fared during the 1930s. This analysis will include evidence about what happened to employment and output in the region during the Depression. Additionally, the group will consider whether the financial/banking crisis of the 1930s was hard felt in the relevant region. Evidence about population movements can be used to bolster the group's conclusions about the relative severity of the Depression in the region. The group will consider why the region either was hard hit or relatively unscathed by the Depression. The group should use the research by group members for their individual papers as a partial basis for their group conclusions, as well as material from course assignments and data sources. Each group should put together a web page that briefly presents its conclusions. This page will be part of the group's 5-7 minute presentation during the lab meetings in the final week of classes for the semester.