Course Description

Does the global financial crisis beginning in late 2008 mark the start of a second Great Depression? Political and economic elites agree that our national and global economies face their most difficult challenges since the 1930s, and the lessons of that era as well as of other economic depressions are being deployed forcefully to address this current crisis. But what are those lessons? And are they the right ones to rely upon today?

This course is a comparative study of ‘great depressions’ over the past 80 years with special focus on how, in light of past contractions and crises, we might understand the current global economic downturn, the political conflicts it has spawned, and the policies designed to counteract it. Empirical interest is focused on the worldwide Great Depression of the 1930s, Japan since 1990, and the contemporary scene.

Readings

This is a book-based reading-intensive course. We will mostly concentrate our efforts on extended arguments from single authors, and at times students are expected to read 200+ pages per week. There is a course reader divided into two sections and six books assigned for the course:

- Special Issue on the Financial Crisis, *Critical Review*, vol. 21, nos. 2-3 (2009)

Books may be purchased at Water Street Books or through your favorite on-line retailer. Part I of the course reader is available now and may be picked up in the Makepeace Room of Greylock dining hall. Part II will be available later in the semester.

All students are expected to faithfully keep up with the readings during the semester. As a seminar, this course depends on your preparation every day for its success. Readings assigned for a particular class session will be the topic for that day’s discussion, and therefore should be completed prior to class. Come to each class prepared to learn and discuss.
Evaluation

The skills I want to develop in students through this course are primarily intellectual and verbal. Because of the large volume of reading and the difficulty of the material, I do not want you taking precious time away from class preparation in order to write numerous papers. In addition, because of the small size of the class, we have the luxury of much more student-faculty interaction than is normal in a non-tutorial setting.

Thus your primary responsibility in this class is reading and critically engaging the material. Your preparation will show through easily in class discussion and your discussion questions. Your secondary responsibility is to organize your thinking so that it is rigorous and concise. Your success will be evident in the oral exams. Finally, you will also have the opportunity to write a substantial paper at the end of the semester which gives you the opportunity to tie all the material in class together.

- **Class discussion** (10%) – This course will be conducted as a seminar. The level and amount of reading is at times challenging, but certainly not beyond any student’s capabilities. All students will be expected to keep up with the readings during the semester and contribute constructively to class discussion. Regular attendance and constructive participation is expected. More than one unexcused absence will result in a grade penalty.

- **Discussion questions** (15%) – Prior to each class period, you will submit at least two questions for discussion based on the assigned readings for that day. Possible questions might explore unclear passages in the readings, point out notable gaps in an author’s discussion, or offer critiques of an author’s argument. Take the opportunity to develop your questions with background statements so that you are in effect submitting brief discussion paragraphs. I will use these questions to guide class discussion each day. Please use the on-line Blackboard system to turn in your discussion questions.

  Questions are due by 10:00am the day of class. I will return your questions to you with comments each class, but I will not grade them until the end of the semester when you will turn all of them in together in class on December 10. Thus do not lose or throw out your discussion questions!

- **Oral exams** (first, 20%; second, 25%) – The primary means of evaluating your learning in this course will be through two 30-minute oral examinations. Rather than spending hours writing a ten-page paper, I expect you to spend those same hours preparing for a sweeping one-to-one discussion with me on the course material. Evaluation of others’ arguments and organization of your own thinking are the keys to doing well in these exams. The first oral exam will cover the Great Depression; the second, Japan since 1990.

- **Final paper** (30%) – At the end of the semester you will write one 18-20 page research paper. In this paper, with a foundation of historical knowledge accumulated over the semester, you will explain and evaluate the policy responses of the major industrialized countries, intergovernmental organizations (e.g. G-20, IMF) and other relevant governments (e.g. China) to the contemporary Great Recession – their response to the immediate crisis, their ongoing efforts to stave off a global economic depression, and their structural reforms (or lack thereof) of the national and global political economies so as to secure economic recovery today and to prevent a relapse in the future.

  This paper is due December 19 at 5:00pm.
COURSE READINGS

Sept. 10  
Introduction to the course  
• no readings

THE GREAT DEPRESSION

Sept. 14  
Overview  
• Barry Eichengreen and Kevin H. O’Rourke, “A tale of two depressions,” Vox [blog], 4 June 2009 [10 pp.]

Sept. 17  
Monetarists I  
• “Out of Keynes’ shadow,” The Economist, 12 February 2009 [4 pp.]  

Sept. 21  
Monetarists II  
• Milton Friedman and Anna Jacobson Schwartz, The Great Contraction, 1929-1933, pp. 1-112 [112 pp.]

Sept. 24  
Monetarists III  
• Milton Friedman and Anna Jacobson Schwartz, The Great Contraction, 1929-1933, pp. 112-207 [96 pp.]  
• Ben Bernanke, “Remarks” in Friedman and Schwartz, op cit., pp. 227-249 [23 pp.]

Sept. 28  
Keynesians I  
• John Maynard Keynes, The General Theory (1936), chs. 13 & 15 [26 pp.]  
Oct. 1       Keynesians II

• Robert Pollin, “We’re all Minskyites now,” The Nation, 17 November 2008 [3 pp.]

Oct. 5       Keynesians III

• Peter Temin, Lessons from the Great Depression [138 pp.]

Oct. 8       IPE Liberals I


Fall reading period

Oct. 15      IPE Liberals II

• Charles P. Kindleberger, The World in Depression, 1929-1939, chs. 6-14 [189 pp.]

Oct. 19      IPE Liberals III


Oct. 22      Marxists

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<tr>
<th>Date</th>
<th>Topic</th>
<th>References</th>
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<tbody>
<tr>
<td>Oct. 26</td>
<td><strong>Japan’s ‘great recession’</strong></td>
<td>• Michael M. Hutchinson, Takatoshi Ito and Frank Westermann, “The great</td>
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<td>Japanese stagnation: Lessons for industrial countries,” in Hutchinson and</td>
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<td></td>
<td></td>
<td>• Richard C. Koo, The Holy Grail of Macroeconomics, chs. 1-2 [83 pp.]</td>
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<td>Oct. 29</td>
<td><strong>Liquidity traps</strong></td>
<td>• Paul R. Krugman, “It’s baaack: Japan’s slump and the return of the liquidity</td>
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<td>• Kathryn M. Dominguez, Kenneth Rogoff, “Comments and discussion” on</td>
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<td>Krugman, op cit. [18 pp.]</td>
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<td>in Adam S. Posen and Ryoichi Mikitani, eds., Japan’s Financial Crisis and Its</td>
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<td>Parallels to US Experience (2000), pp. 149-166 [18 pp.]</td>
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<td>• Jan A. Kregel, “Krugman on the liquidity trap: Why inflation won’t bring</td>
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<td>Nov. 2</td>
<td><strong>Balance sheet recessions</strong></td>
<td>• Richard C. Koo, The Holy Grail of Macroeconomics, chs. 3-5 [100 pp.]</td>
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<td>Nov. 5</td>
<td><strong>Policy traps I</strong></td>
<td>• Akio Mikuni and R. Taggart Murphy, Japan’s Policy Trap, chs. 1-3 [95 pp.]</td>
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<td>Nov. 9</td>
<td><strong>Policy traps II</strong></td>
<td>• Akio Mikuni and R. Taggart Murphy, Japan’s Policy Trap, chs. 4-7 [93 pp.]</td>
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<td>Nov. 12</td>
<td><strong>Policy traps III</strong></td>
<td>• Akio Mikuni and R. Taggart Murphy, Japan’s Policy Trap, chs. 8-10 [74 pp.]</td>
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THE GREAT RECESSION

Nov. 16

**Crisis of regulation I**


Nov. 19

**Crisis of regulation II**


Nov. 23

**Crisis of regulation III**


Thanksgiving break

Nov. 30

**Crisis in capitalism I**

Dec. 3  
**Crisis in capitalism II**
- Richard C. Koo, *The Holy Grail of Macroeconomics*, ch. 6 [36 pp.]

Dec. 7  
**Crisis in capitalism III**

Dec. 10  
**Should Ben Bernanke be reconfirmed?**
- TBA