

**ECONOMICS 210c / ECONOMICS 236a  
MONETARY HISTORY**

**SYLLABUS**

**August 30                    Organization and Overview**

**PART I: THE EFFECTS OF POLICY**

**September 6                Purely Statistical Evidence**

Sims, Christopher A. 1980. "Comparison of Interwar and Postwar Business Cycles: Monetarism Reconsidered." *American Economic Review* 70 (May): 250-257.

Cooley, Thomas F., and Stephen F. LeRoy. 1985. "Atheoretical Macroeconomics: A Critique." *Journal of Monetary Economics* 16 (November): 283-308.

Christiano, Lawrence J., Martin Eichenbaum, and Charles Evans. 1996. "The Effects of Monetary Policy Shocks: Evidence from the Flow of Funds." *Review of Economics and Statistics* 78 (February): 16-34.

Stock, James H., and Mark W. Watson. 2001. "Vector Autoregressions." *Journal of Economic Perspectives* 15 (Fall): 101-115.

**September 13              Narrative Evidence and Natural Experiments**

Friedman, Milton, and Anna J. Schwartz. 1963. "A Summing Up." *A Monetary History of the United States, 1867-1960*, Chapter 13. Princeton: Princeton University Press, pp. 676-700.

Romer, Christina D., and David H. Romer. 1989. "Does Monetary Policy Matter? A New Test in the Spirit of Friedman and Schwartz." *NBER Macroeconomics Annual* 4: 121-170.

Romer, Christina D., and David H. Romer. 2004. "A New Measure of Monetary Policy Shocks: Derivation and Implications." *American Economic Review* 94 (September): 1055-1084.

Richardson, Gary, and William Troost. 2005. "Monetary Intervention Mitigated Banking Panics During the Great Depression: Quasi-Experimental Evidence from the Federal Reserve District Border in Mississippi, 1929 to 1933." Unpublished paper, University of California, Irvine (May).

**September 20              Monetary Policy and Interest Rates**

Cook, Timothy, and Thomas Hahn. 1989. "The Effect of Changes in the Federal Funds Rate Target on Market Interest Rates in the 1970s." *Journal of Monetary Economics* 24 (November): 331-351.

Kuttner, Kenneth N. 2001. "Monetary Policy Surprises and Interest Rates: Evidence from the Fed Funds Futures Market." *Journal of Monetary Economics* 47 (June): 523-544.

Romer, Christina D., and David H. Romer. 2000. "Federal Reserve Information and the Behavior of Interest Rates." *American Economic Review* 90 (June): 429-457.

Piazzesi, Monika, and Eric Swanson. 2004. "Futures Prices as Risk-Adjusted Forecasts of Monetary Policy." National Bureau of Economic Research Working Paper No. 10547 (June).

### **September 27**                    **Imperfect Credit Markets**

Bernanke, Ben S., and Alan S. Blinder. 1988. "Credit, Money, and Aggregate Demand." *American Economic Review* 78 (May): 435-439.

Gertler, Mark, and Simon Gilchrist. 1994. "Monetary Policy, Business Cycles, and the Behavior of Small Manufacturing Firms." *Quarterly Journal of Economics* 109 (May): 309-340.

Calomiris, Charles W., and R. Glenn Hubbard. 1995. "Internal Finance and Investment: Evidence from the Undistributed Profits Tax of 1936-37." *Journal of Business* 68 (October): 443-482.

Ashcraft, Adam B., and Murillo Campello. 2005. "Borrowers' Financial Constraints and the Transmission of Monetary Policy: Evidence from Financial Conglomerates." Unpublished paper, Federal Reserve Bank of New York and University of Illinois, Urbana Champaign (June).

### **October 4**                        **Deflation and the Zero Nominal Bound**

Krugman, Paul R. 1998. "It's Baaack: Japan's Slump and the Return of the Liquidity Trap." *Brookings Papers on Economic Activity*, no. 2, 137-187, 204-205.

Eggertsson, Gauti, and Michael Woodford. 2003. "The Zero Bound on Interest Rates and Optimal Monetary Policy." *Brookings Papers on Economic Activity*, no. 1, 139-211, 230-233.

Temin, Peter, and Barrie A. Wigmore. 1990. "The End of One Big Deflation." *Explorations in Economic History* 27 (October): 483-502.

### **October 11**                      **Effects of Fiscal Policy**

Giavazzi, Francesco, and Marco Pagano. 1990. "Can Severe Fiscal Contractions Be Expansionary? Tales of Two Small European Countries." *NBER Macroeconomics Annual* 5: 75-111.

Ramey, Valerie A., and Matthew D. Shapiro. 1998. "Costly Capital Reallocation and the Effects of Government Spending." *Carnegie-Rochester Conference Series on Public Policy* 48 (June): 145-198.

Blanchard, Olivier, and Roberto Perotti. 2002. "An Empirical Characterization of the Dynamic Effects of Changes in Government Spending and Taxes on Output." *Quarterly Journal of Economics* 117 (November): 1329-1368.

Laubach, Thomas. 2003. "New Evidence on the Interest Rate Effects of Budget Deficits and Debt." Unpublished paper, Board of Governors of the Federal Reserve System (May).

## **PART II: BUSINESS CYCLES IN HISTORY**

### **October 18**                      **Business Cycle Facts**

- Romer, Christina D. 1986. "Spurious Volatility in Historical Unemployment Data." *Journal of Political Economy* 94 (February): 1-37.
- Davis, Joseph H. 2005. "An Improved Annual Chronology of U.S. Business Cycles since the 1790's." Unpublished paper, The Vanguard Group. *Journal of Economic History*, forthcoming.
- Hanes, Christopher. 1993. "The Development of Nominal Wage Rigidity in the Late 19th Century." *American Economic Review* 83 (September): 732-756.
- O'Brien, Anthony Patrick. 1989. "A Behavioral Explanation for Nominal Wage Rigidity During the Great Depression." *Quarterly Journal of Economics* 104 (November): 719-736.

### **October 25**                      **Financial Panics**

- Friedman, Milton, and Anna J. Schwartz. 1963. "The Panic of 1907." *A Monetary History of the United States, 1867-1960*, Chapter 4, Section 3. Princeton: Princeton University Press, pp. 156-168.
- Grossman, Richard S. 1993. "The Macroeconomic Consequences of Bank Failures under the National Banking System." *Explorations in Economic History* 30 (July): 294-320.
- Miron, Jeffrey A. 1986. "Financial Panics, the Seasonality of the Nominal Interest Rate, and the Founding of the Fed." *American Economic Review* 76 (March): 125-140.
- Calomiris, Charles W., and Joseph R. Mason. 2003. "Fundamentals, Panics, and Bank Distress During the Depression." *American Economic Review* 93 (December): 1615-1647.

### **November 1**                      **Class Presentations**

### **November 8**                      **Class Presentations**

### **November 15**                      **The Great Depression**

- Friedman, Milton, and Anna J. Schwartz. 1963. "The Great Contraction, 1929-1933." *A Monetary History of the United States, 1867-1960*, Chapter 7, Sections 1, 6, and 7. Princeton: Princeton University Press, pp. 299-332, 391-419.
- Romer, Christina D. 1990. "The Great Crash and the Onset of the Great Depression." *Quarterly Journal of Economics* 105 (August): 597-624.
- Bernanke, Ben, and Harold James. 1991. "The Gold Standard, Deflation, and Financial Crisis in the Great Depression: An International Comparison." In R. Glenn Hubbard, ed., *Financial Markets and Financial Crises*. Chicago: University of Chicago Press for NBER, pp. 33-68.

Cole, Harold L., Lee E. Ohanian, and Ron Leung. 2005. "Deflation and the International Great Depression: A Productivity Puzzle." National Bureau of Economic Research Working Paper No. 11237 (April).

**November 22**                    **Postwar Fluctuations I**

Barsky, Robert B., and Lutz Kilian. 2001. "Do We Really Know that Oil Caused the Great Stagflation? A Monetary Alternative." NBER Macroeconomics Annual 16: 137-183.

Taylor, John B. 1999. "A Historical Analysis of Monetary Policy Rules." In John B. Taylor, ed., *Monetary Policy Rules*. Chicago: University of Chicago Press for NBER, pp. 319-348.

Clarida, Richard, Jordi Galí, and Mark Gertler. 2000. "Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory." *Quarterly Journal of Economics* 115 (February): 147-180.

Calomiris, Charles W., and David Wheelock. 1998. "Was the Great Depression a Watershed for American Monetary Policy?" In Michael Bordo, Claudia Goldin, and Eugene White, eds., *The Defining Moment: The Great Depression and the American Economic in the Twentieth Century*. Chicago: University of Chicago Press for NBER, pp. 23-66.

**November 29**                    **Postwar Fluctuations II**

Romer, Christina D. and David H. Romer. 2002. "The Evolution of Economic Understanding and Postwar Stabilization Policy." In *Rethinking Stabilization Policy* (Federal Reserve Bank of Kansas City): 11-78

Nelson, Edward. 2005. "The Great Inflation of the Seventies: What Really Happened?" *B.E. Advances in Macroeconomics* 5, Article 3.

Orphanides, Athanasios. 2003. "The Quest for Prosperity Without Inflation." *Journal of Monetary Economics* 50 (April): 605-631.

Primiceri, Giorgio E. 2005. "Why Inflation Rose and Fell: Policymakers' Beliefs and US Postwar Stabilization Policy." NBER Working Paper No. 11147 (February).

**December 6**                    **The Great Moderation**

McConnell, Margaret M., and Gabriel Perez-Quiros, 2000. "Output Fluctuations in the United States: What Has Changed Since the Early 1980s?" *American Economic Review* 90 (December): 1465-1476.

Ramey, Valerie A., and Daniel J. Vine. 2004. "Tracking the Source of the Decline in GDP Volatility: An Analysis of the Automobile Industry." NBER Working Paper No. 10384.

Stock, James H., and Mark W. Watson. 2002. "Has the Business Cycle Changed and Why?" *NBER Macroeconomics Annual* 17: 159-218.