

**ECONOMICS 210C / ECONOMICS 236A
MONETARY HISTORY**

SYLLABUS

PART I: THE EFFECTS OF MONETARY POLICY

August 27 **The Identification Problem in Monetary Economics**

Andersen, Leonall C., and Jerry L. Jordan. 1968. "Monetary and Fiscal Actions: A Test of Their Relative Importance in Economic Stabilization." Federal Reserve Bank of St. Louis *Review* 50 (November): 11-24.

September 3 **Vector Autoregressions**

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.

Galí, Jordi. 1992. "How Well Does the IS-LM Model Fit Postwar U.S. Data?" *Quarterly Journal of Economics* 107 (May): 709-738.

Bernanke, Ben S., and Ilian Mihov. 1998. "Measuring Monetary Policy." *Quarterly Journal of Economics* 113 (August): 869-902.

September 10 **Narrative Evidence and Natural Experiments**

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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.

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Velde, François R. 2008. "Chronicle of a Deflation Unforetold." Unpublished manuscript, Federal Reserve Bank of Chicago (August).

September 17 **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.
- Mankiw, N. Gregory, and Jeffrey A. Miron. 1986. "The Changing Behavior of the Term Structure of Interest Rates." *Quarterly Journal of Economics* 101 (May): 211-228.

September 24 **The Credit Channel**

- 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.
- Ashcraft, Adam B., and Murillo Campello. 2007. "Firm Balance Sheets and Monetary Policy Transmission." *Journal of Monetary Economics* 54 (September): 1515-1528.
- Bernanke, Ben S. 1983. "Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression." *American Economic Review* 73 (June): 257-276.
- 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.

October 1 **Inflation Inertia**

- Ball, Laurence. 1994. "What Determines the Sacrifice Ratio?" In N. Gregory Mankiw, ed., *Monetary Policy*. Chicago: University of Chicago Press for NBER, pp. 155-182.
- Galí, Jordi, and Mark Gertler. 1999. "Inflation Dynamics: A Structural Econometric Analysis." *Journal of Monetary Economics* 44 (October): 195-222.
- Sargent, Thomas J. 1983. "Stopping Moderate Inflation: The Methods of Poincaré and Thatcher." In Rudiger Dornbusch and Mario Henrique Simonsen, eds., *Inflation, Debt, and Indexation*. Cambridge, MA.: MIT Press, pp. 54-96.
- Benati, Luca. 2008. "Investigating Inflation Persistence across Monetary Regimes." *Quarterly Journal of Economics* 123 (August): 1005-1060.

October 8 **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.
- 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.
- Romer, Christina D., and David H. Romer. 2008. "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks." Unpublished manuscript, University of California, Berkeley (April).
- Ramey, Valerie A. 2008. "Identifying Government Spending Shocks: It's All in the Timing." Unpublished manuscript, University of California, San Diego (June).

PART II: MONETARY FACTORS IN U.S MACROECONOMIC HISTORY

October 15 **Financial Panics**

- Friedman, Milton, and Anna Jacobson Schwartz. 1963. "The Panic of 1907." *A Monetary History of the United States, 1867-1960*, Chapter 4, Section 3. Princeton: Princeton University Press for NBER, pp. 156-168.
- 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.
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October 22 **Causes of the Great Depression**

- Friedman, Milton, and Anna Jacobson 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 for NBER, pp. 299-332, 391-419.
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- O'Brien, Anthony Patrick. 1989. "A Behavioral Explanation for Nominal Wage Rigidity During the Great Depression." *Quarterly Journal of Economics* 104 (November): 719-735.

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).

October 29 **Recovery from the Great Depression**

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.

Romer, Christina D. 1992. "What Ended the Great Depression?" *Journal of Economic History* 52 (December): 757-784.

Eggertsson, Gauti. 2007. "Great Expectations and the End of the Depression." Working paper, Federal Reserve Bank of New York (July). *American Economic Review*, forthcoming.

Cole, Harold L., and Lee E. Ohanian. 2004. "New Deal Policies and the Persistence of the Great Depression: A General Equilibrium Analysis." *Journal of Political Economy* 112 (August): 779-816.

November 5 **Class Presentations**

November 12 **Class Presentations**

November 19 **Origins of the Great Inflation**

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.

Cavallo, Michele, and Tao Wu. 2007. "Measuring Oil-Price Shocks Using Market-Based Information." Unpublished manuscript, Federal Reserve Bank of San Francisco (July).

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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.

November 26 **No Class**

December 3 **Determinants of Postwar Monetary Policy**

- 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): 633-665.
- Primiceri, Giorgio E. 2006. "Why Inflation Rose and Fell: Policy-Makers' Beliefs and U.S. Postwar Stabilization Policy." *Quarterly Journal of Economics* 121 (August): 867-901.

December 10 **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): 1464-1476.
- Ramey, Valerie A., and Daniel J. Vine. 2006. "Declining Volatility in the U.S. Automobile Industry." *American Economic Review* 96 (December): 1876-1889.
- Stock, James H., and Mark W. Watson. 2002. "Has the Business Cycle Changed and Why?" *NBER Macroeconomics Annual* 17: 159-218.
- Benati, Luca, and Paolo Surico. 2008. "VAR Analysis and the Great Moderation." European Central Bank Working Paper No. 866 (February).