

Financial and Monetary History of the United States
Economics 444:01
Fall 2017

Tuesdays/Fridays 11:30-12:50
Rutgers Academic Building AB-4450 CAC

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Sakai <https://sakai.rutgers.edu>

Office hours: Mondays 11-12 and Fridays 2-3 or by appointment

Prerequisites

Econ 320 (Intermediate Microeconomic Analysis), Econ 321 (Intermediate Macroeconomic Analysis) and Economics 322 (Econometrics). Money and Banking Econ 301 is recommended. This is an upper level elective course where you are expected to apply the knowledge and expertise that you have gained in the prerequisites.

Course Objective

This course provides a detailed overview and analysis of the evolution of the America financial and monetary policy in the United States from the colonial period to the “subprime” crisis and current recovery. Through historical examples, the principles of banking, finance, and monetary policy are examined. These are the basics for a “Wall Street intellectual” who can knowledgeably read the Wall Street Journal, the Financial Times, the Economist or your favorite economics blog (<http://blog.inomics.com/top-economics-blogs/>) and fluently talk about finance and money.

Serious Matters: Attendance, Academic Integrity, Add/Drop

Academic Integrity. As always at Rutgers, you are expect to follow the University’s precepts of academic integrity. (See <http://academicintegrity.rutgers.edu/>)

Attendance. You are expected to attend every class. Attendance is highly correlated with performance on tests. Please do not arrive late to class. If you need to leave early, you must inform me and sit near the door.

Participation. At the beginning of each class, we will discuss the assigned reading. You are expected to have read the articles and to participate.

Course Requirements and Evaluation

- 1. Class Participation** (15 percent). You are expected to come to class, having done the assigned readings and other postings. You will be asked specific questions on the readings. You must answer 5 times (3 points each) correctly in the course of the semester for full credit. If when I call on you, you fail to come prepared or miss class, I will deduct 2 points. I will occasionally assign current articles from print and web media for class discussion. I will email you when I post them. Check your email daily—preferably the night before each class.
- 2. First Exam** (15 percent) **October 6**
- 3. Book Review** (30 percent) Due in class **December 1**. On October 20, you will be given a list of books from which to choose. On October 4, you must hand in 1 page listing your choice.
- 4. Second Exam** (20 percent) **November 10**
- 5. Final Exam** (20 percent), **December 21**, 8-11 am

Note: Makeup Exams are given at the discretion of the instructor. If you anticipate an absence for any reason (religious holiday/sports event), you must inform me no later than September 19.

Required Books---Buy at the Beginning of the Semester (all paperback)

Milton Friedman and Anna J. Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton University Press, 1963). [New paperback \$57.76 on Amazon, used for cheaper]

Morris, Edward, Wall Streeters, The Creators and Corruptors of American Finance (New York: Columbia University Press, 2015). [New paperback. \$19.95]

Required Articles

All of these articles can be found on my Sakai website for our class. I will email you when I post current articles from print and web media for class discussion. Check your email daily—preferably the night before each class.

Farley Grubb, “Benjamin Franklin and the Birth of a Paper Money Economy” (Federal Reserve Bank of Philadelphia, 2006).

Donald Kemmerer, “The Colonial Loan Office System in New Jersey,” Journal of Political Economy 74:6 (December 1939), pp. 867-874.

Richard Sylla, “Financial Foundations: Public Credit, the National Bank and Securities Markets,” in Douglas Irwin and Richard Sylla, eds., Founding Choices: American Economic Policy in the 1790s (Chicago: Chicago University Press, 2010), pp. 59-88.

“Alexander Hamilton,” https://en.wikipedia.org/wiki/Alexander_Hamilton

Anna J. Schwartz, “The Beginning of Competitive Banking in Philadelphia, 1792-1809,” Journal of Political Economy 55:5 (October 1947), pp. 417-431.

Richard Sylla, “U.S. Securities Markets and the Banking System, 1790-1840,” Federal Reserve Bank of St. Louis Review (May/ June 1998), Vol. 8. No 3, pp. 83-98.

Hugh Rockoff, “Money, Prices and Banks in the Jacksonian Era,” in Stanley Engerman, A Reinterpretation of American Economic History (1972),

“Nicolas Biddle,” https://en.wikipedia.org/wiki/Nicholas_Biddle_%28banker%29

Arthur J. Rolnick and Warren E. Weber, “New Evidence on the Free Banking Era,” American Economic Review 73:5 (December 1983), pp. 1080-1091.

Charles W. Calomiris and Jonathan Pritchett, “Betting on Secession: Quantifying Political Events Surrounding Slavery and the Civil War,” American Economic Review 106 (1), 2016, pp. 1-23.

Michael Bordo, “The Classical Gold Standard: Some Lessons for Today”, Federal Reserve Bank of St. Louis Review 63 (May 1981), pp. 2-

Hugh Rockoff, “The Wizard of Oz,” Journal of Political Economy 98:4 (August 1990), pp. 739-760.

“William Jennings Bryan,” https://en.wikipedia.org/wiki/William_Jennings_Bryan

Eugene N. White "California Banking in the Nineteenth Century: The Art and Method of the Bank of A. Levy," Business History Review 75 (Summer 2001).

J. Bradford De Long, “ Did J.P. Morgan’s Men Add Value?” in Peter Temin, ed., Inside the Business Enterprise (Chicago: University of Chicago Press, 1991), pp. 205-249

Kenneth Garbade and William Silber, “Technology, Communication and the Performance of Financial Markets, 1840-1975,” Journal of Finance 33:3 (June 1978), pp. 819-832.

Jon Moen and Ellis Tallman, “The Bank Panic of 1907: The Role of the Trust Companies” Journal of Economic History 52:2 (June 1992), pp. 611-630.

Eugene N. White, “The Stock Market Boom and Crash of 1929 Revisited,” Journal of Economic Perspectives (Spring 1990), pp. 76-83.

R. S. Kroszner and R.G. Rajan, “Is the Glass-Steagall Act Justified? A Study of the US Experience with Universal Banking before 1933,” American Economic Review 84 (1994).

Christina D. Romer, “The Nation in Depression,” Journal of Economic Perspectives 7: 2 (Spring 1993), pp. 19-39.

Muriel Siebert Obituary (New York Times)

<http://www.nytimes.com/2013/08/26/business/muriel-siebert-first-woman-to-own-a-seat-on-wall-st-dies-at-80.html>

History of the ATM <http://www.smithsonianmag.com/history/atm-dead-long-live-atm-180953838/>

Frederic S. Mishkin, “Over the Cliff: From the Subprime to the Global Financial Crisis,” Journal of Economic Perspectives Vol. 25, No. 1 (Winter 2011), pp. 49-70.

Preliminary Class Schedule

(Lectures will be posted on Sakai)

Sept 5	Getting Started; The Colonial Legacy, Crisis and the Seven Years War
Sept 8	Financing the War for Independence, Grubb(2006), Kemmerer (1939)
Sept 12	Financial Foundations, “Alexander Hamilton,” wiki; Sylla (2010)
Sept 15	No Class
Sept 19	Banking and the War of 1812, Schwartz (1947),
Sept 22	Early Banks and Financial Markets. Sylla (1998).
Sept 26	The Bank War and Panic of 1837, “Nicolas Biddle,” wiki; Rockoff (1972)\
Sept 29	The Free Banking Era, Rolnick and Weber (1983).
Oct 3	The Civil War and its Consequences, (Calomiris and Pritchett, 2016).
Oct 6	FIRST EXAM

- Oct 10 What is Fact in Financial History? Resumption and the Politics of Silver and Gold, ; Friedman and Schwartz, (1963) Ch. 1 pp. 3-14, Ch. 2, pp. 15-32, 50-58, 85-88, Ch. 3, pp. 89-97; 104-122:
- Oct 13 The Gold Standard: Bordo (1981), Rockoff (1990).
- Oct 17 National Banking System: White (2001)
- Oct 20 Commercial Banks? Investment Banks Do? Morris, Ch. 1 “J. Pierpont Morgan: Jupiter;” De Long (1991) **Book Titles Handed Out**
- Oct 24 Integration of Financial Markets, Garbade and Silber (1978) **Hand in Book Choice.**
- Oct 27 Financial Crises and Recessions Friedman and Schwartz (1963), Chs. 4, pp. 135-138, 152-174, 183-188.
- Oct 31 The Crisis of 1907; Moen and Tallman (1992).
- Nov 3 Founding of the Federal Reserve and World War I, Morris, “Paul Warburg,” “Carter Glass;” Friedman and Schwartz, Ch. 5, pp. 189-207; Ch. 6, pp. 240-270, 296-8.
- Nov 7 The Great Boom and Crash of 1929, White (1990); Morris, “Ferdinand Pecora;” Kroszner and Rajan (1994).
- Nov 10 **SECOND EXAM**
- Nov 14 The Great Depression 1929-1933 Friedman and Schwartz (1963),Ch. 7 all;
- Nov 17 The Great Depression, 1929-1933, Romer (1993)
- Nov 22 The Great Depression, 1933-1941 Reading: Friedman and Schwartz, Ch. 8, pp. 420-434, Ch. 9, pp. 493-507, 543-545;
- Nov 28 Financing the Second World War & the Korean War, Friedman and Schwartz, Ch. 10, pp. 546-574
- Dec 1 New Deal Banking and Finance: Morris, Charles L. Merrill,” “John C. Bogle” **Book Reviews Due**
- Dec 5 The New Finance: Siebert Obituary (2013); Morris, “Michael Milkin,”
- Dec 8 The Unraveling of the New Deal and the Great Moderation Morris “Myron Scholes” History of the ATM;

Dec 12 Subprime Crisis and Recovery, Mishkin (2011); Morris, “Sanford I. Weill.”

DECEMBER 21 FINAL EXAM, 8-11 am