

**Financial and Monetary History of the United States**  
**Economics 444:01**  
**Fall 2016**

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.

**Withdrawing.** Last day to drop a without a “W” will is September 13, Last day to add a course is September 14, last day to drop a course by withdrawal is October 31.

### **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 correctly in the course of the semester for full credit. 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) **September 30**
3. **Book Review** (30 percent) Due in class **October 28**. On October 4, you will be given a list of books from which to choose. On October 7, you must hand in 1 page listing your choice.
4. **Second Exam** (20 percent) **November 11**
5. **Final Exam** (20 percent), **December 22**, 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 20.**

### **Required Books** (all paperback)

Milton Friedman and Anna J. Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton University Press, 1963).

Morris, Edward, Wall Streeters, The Creators and Corruptors of American Finance (New York: Columbia University Press, 2015).

### **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](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](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](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 Economics 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/>

Daniel Thornton, “The U.S. Deficit/Debt Problem: A Longer-Run Perspective,” Federal Reserve Bank of St. Louis Review (November/December 2012), pp. 441-455.

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 6	Getting Started; The Colonial Legacy, Crisis and the Seven Years War
Sept 9	Financing the War for Independence, Grubb(2006), Kemmerer (1939)
Sept 13	Financial Foundations, “Alexander Hamilton,” wiki; Sylla (2010)
Sept 16	No Class
Sept 20	Banking and the War of 1812, Schwartz (1947),
Sept 23	Early Banks and Financial Markets. Sylla (1998).
Sept 27	The Bank War and Panic of 1837, “Nicolas Biddle,” wiki; Rockoff (1972)\
Sept 30	<b>FIRST EXAM</b>
Oct 4	The Free Banking Era, Rolnick and Weber (1983). <b>Book Titles Handed Out</b>
Oct 7	The Civil War and its Consequences, (Calomiris and Pritchett, 2016). <b>Hand in Book Choice</b>

- Oct 11 Resumption and the Politics of Silver and Gold, Bordo (1981); Friedman and Schwartz, (1963) Ch. 2, pp. 15-32, 44-58, 85-88, Ch. 3, pp. 89-97; 104-122:
- Oct 14 The Gold Standard: Rockoff (1990).
- Oct 18 National Banking System: White (2001)
- Oct 21 Commercial Banks? Investment Banks Do? Morris, Ch. 1 “J. Pierpont Morgan: Jupiter;” De Long (1991)
- Oct 25 Integration of Financial Markets, Garbade and Silber (1978)
- Oct 28 Financial Crises and Recessions Friedman and Schwartz (1963), Chs. 4, pp. 135-138, 152-174, 183-188. **Book Reviews Due.**
- Nov 1 The Crisis of 1907; Moen and Tallman (1992).
- Nov 4 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 8 The Great Boom and Crash of 1929, White (1990); Morris, “Ferdinand Pecora;” Kroszner and Rajan (1994).
- Nov 11 **SECOND EXAM**
- Nov 15 The Great Depression 1929-1933 Friedman and Schwartz (1963), Ch. 7 all;
- Nov 18 The Great Depression, 1929-1933, Romer (1993)
- Nov 23 The Great Depression, 1933-1941 Reading: Friedman and Schwartz, Ch. 8, pp. 420-434, Ch. 9, pp. 493-507, 543-545;
- Nov 29 Financing the Second World War & the Korean War, Friedman and Schwartz, Ch. 10, pp. 546-574
- Dec 2 New Deal Banking and Finance: Morris, Charles L. Merrill,” “John C. Bogle”
- Dec 6 The New Finance: Siebert Obituary (2013); Morris, “Michael Milkin,”
- Dec 9 The Unraveling of the New Deal and the Great Moderation Morris “Myron Scholes” History of the ATM;

Dec 13      Subprime Crisis and Recovery Thornton (2012), Mishkin (2011); Morris,  
“Sanford I. Weill.”

**DECEMBER 22**

**FINAL EXAM, 8-11 am**