

Financial and Monetary History of the United States
Economics 444:02
Spring 2023

Tuesdays/Fridays 12:10-1:30
Frelinghuysen B5
CAC-New Brunswick

Professor Eugene N. White
Department of Economics
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Rutgers University

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Canvas: <https://rutgers.instructure.com/courses/211511>

Office hours via Zoom: Tuesday 2:30-4:30

<https://rutgers.zoom.us/j/95481975887?pwd=WUpkY2RmVEVDSUloYVBWRldNTlAxdz09>

or by Appointment arranged via email

Print Out and Retain a Hard Copy of this Syllabus It is Your Course Guide

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 American financial and monetary systems from the colonial period to the Covid-19 Pandemic/Recession of 2020-2022. Through historical examples, the principles of banking, finance, and monetary policy are illuminated. The evolution of financial instruments from paper money to debit cards, options, payment apps, and cryptocurrencies, plus financial institutions and markets from banks and stock exchanges to hedge funds and platforms are examined. Monetary regimes and policies for controlling inflation, promoting full employment and preventing financial crises are evaluated.

These are the basics for a “Wall Street intellectual” who can knowledgeably read the Wall Street Journal, the Financial Times, the Economist, and blogs and fluently talk about finance and money. It is important to note that most economists and policy makers had initially little idea of how to manage economic fallout from the Panic of 2008 or the Pandemic+Recession and subsequent Inflation. The history of previous crises and shocks proved to be the most informative guides to policy

Academic Integrity, Attendance, Etc.

Academic Integrity. As always at Rutgers, you are expected to follow the University's precepts of academic integrity. Please re-read the University's policy: <https://newbrunswick.rutgers.edu/chancellor-provost/academic-integrity-students>

You should be aware that all forms of academic sabotage (of other students), cheating, fabrication, facilitation of dishonesty, plagiarism, and criminal activity (such as theft and fraud) are violations of academic integrity. At the professor's discretion, students may be asked to sign an honors pledge when taking in an exam or turning in a project. The reason for this code of conduct is not just to ensure that students only receive the grades and degrees that they have earned, but it is also to ensure that this type of behavior does not undermine the norms of society that have fostered the growth of economics and scientific knowledge in general.

Attendance. (1) You are expected to attend every class. You should note that attendance is highly correlated with performance on tests. (2) Please try not arrive late, it is disruptive. (3) If you expect to miss a class because of illness or a family emergency, use the RU absence reporting website to indicate the date and reason for your absence (<https://sims.rutgers.edu/ssra/>) I will be automatically informed by email.

Please remember, if you fall ill, let me know I will make appropriate accommodations as needed to ensure that you may participate fully in the course.

Participation. Participation is a key component of this course. During the semester, based on your readings, you will have tables, chart or short narrative to present to the class of under 5 minutes. You will have this opportunity several times, the minimum for full credit is three presentations. The objective is for you to learn how to present statistical material, concisely and accurately. It is an essential skill for almost any job. During or after your presentation, the class may ask you questions about the presentation and you will need to answer them.

Assignment for presentations will be made in the prior class. Presentations will begin the second or third week of class. Credit for participation is determined and recorded by the instructor during class time.

Active learning: Preparation and Note-Taking. The lectures should not be a passive learning activity—read the materials assigned to the lecture before you come to class, stay active---take notes and ask questions.

You may bring your computer, but you should bring a notebook and pen/pencil to class to take notes. They are important because they force you to immediately summarize the material as presented and are the starting point for studying the lectures and reading materials later. You may also print out the day's Powerpoint slides and write your notes and comments on them. Please note the lectures are revised every year and each one usually a day or two before lecture, they may be posted the night before or the morning of the lecture.

For your general health and safety

Counseling, ADAP & Psychiatric Services (CAPS): (848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901/ <http://health.rutgers.edu/medical-counseling-services/counseling/>

Crisis Intervention : <http://health.rutgers.edu/medical-counseling-services/counseling/crisis-intervention/> Report a Concern: <http://health.rutgers.edu/do-something-to-help/>

Violence Prevention & Victim Assistance (VPVA)(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 / www.vpva.rutgers.edu/

Disability Services (848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 <https://ods.rutgers.edu/>

Students with Disabilities In order to receive consideration for reasonable accommodations, a student with a disability must contact the appropriate disability services office at the campus where you are officially enrolled, participate in an intake interview, and provide documentation: <https://ods.rutgers.edu/students/documentation-guidelines>

The office will provide you with a Letter of Accommodations. Please share this letter with your instructors and discuss the accommodations with them as early in your courses as possible. To begin this process, please complete the Registration form on the ODS web site at: <https://ods.rutgers.edu/students/registration-form>

Course Requirements and Evaluation

- 1. Class Participation (15 percent).** You are expected to come to class, having done the assigned readings. You will have an opportunity to sign up to present in class for the next meeting of the class. A choice of specific tables and charts will be offered for presentations. If your presentation is satisfactory, you will earn 5 points credit. Three presentations will give you full credit for class participation. Only one presentation per class per student is permitted. I will occasionally assign additional current articles from print and the web for class discussion. Check your email daily—preferably the night before each class.
- 2. First Short Test (10 percent) February 7**
- 3. Second Short Test (10 percent) March 3.**
- 4. Third Short Test (10 percent) March 31.**
- 6. Book Review (40 percent)** Due in class and online on **April 21**. On **March 7**, you will be given a list of books from which to choose. On **March 10**, you must register online on Canvas your book of choice.
- 7. Final Exam (15 percent), May 4, 2022, 12 pm to 2 pm**

Note: Makeup Exams are given at the discretion of the instructor. If you are ill and cannot take an exam, please contact the professor as soon as you can. If you anticipate an absence for any other reason (religious holiday/sports event), you must inform me no later than January 27.

Note: There is no Extra Credit offered for this course.

Required Books---Buy or Obtain at the Beginning of the Semester

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

Buy [New paperback \$60 on Amazon, Kindle, \$48, Used price varies] or

Online as an Ebook from Rutgers Libraries. Proquest Ebook Central
<https://ebookcentral-proquest-com.proxy.libraries.rutgers.edu/lib/rutgers-ebooks/detail.action?pq-origsite=primo&docID=590813>

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

Buy [New paperback. \$8 on Amazon, Used \$3 and up; Kindle, \$11] or

Online as an Ebook from Rutgers Libraries Proquest Ebook Central.
<https://ebookcentral-proquest-com.proxy.libraries.rutgers.edu/lib/rutgers-ebooks/detail.action?docID=5275886&query=Edward+Morris>

Lecture Schedule and Required Readings

[Note this schedule is preliminary and may vary as interest in the subject varies]
All of these articles can be found on the class Canvas website. Required Articles will be on Canvas as the course proceeds. I may also post on Canvas relevant current articles from print and web media for class discussion. Check your email daily—preferably the night before each class.

Jan 17: Getting Started; The Colonial Legacy, Crisis and the Seven Years War

Jan 20: Financing the War for Independence,

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

Stacey Schiff, The Revolutionary: Samuel Adams (2022), pp.40-46

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

Jan 24: From the Articles of Confederation to the Constitution:

Ben Baack, “The Economics of the American Revolutionary War,” (EH.net, 2010). [https://eh.net/encyclopedia/the-economics-of-the-american-revolutionary-war-2/Articles of Confederation.pdf](https://eh.net/encyclopedia/the-economics-of-the-american-revolutionary-war-2/Articles%20of%20Confederation.pdf)
Shay’s Rebellion, wiki

Jan 27 Financial Foundations of the New Republic

Alexander Hamilton wiki;

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

US Constitution.pdf

Whiskey Rebellion wiki

Fries Rebellion wiki

Jan 31 The Rise of Banks and the War of 1812

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

Feb 3 The Growth of Banking and Financial Markets.

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.

Feb 7 FIRST EXAM (40 minutes)

Lecture: The Bank War---Elites v. Populists?

Andrew Jackson wiki

Nicolas Biddle wiki

Feb 10 The Panic of 1837 and the Default of Sovereign Debt

Peter Rousseau, "Jacksonian Monetary Policy, Specie Flows and the Panic of 1837," Journal of Economic History (June 2002), pp. 457-488.

Feb 14 Free Banking—Is Regulation Necessary

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

Feb 17 The Civil War and its Consequences

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.

"How Many Died in the Civil War?" New York Times (April 3, 2012).

Feb 21 An Introduction to Friedman and Schwartz's A Monetary History,

Milton Friedman wiki,

Anna Schwartz wiki

<https://www.nber.org/historical-video/anna-schwartz-oral-history-interview-claudia-goldin>

Friedman and Schwartz (1963), Chapter 2

Hugh Rockoff (2019) "On the Controversies Behind the Origins of the Federal Economic Statistics," Journal of Economic Perspectives (Winter 2019), pp. 147-164.

Feb 24: The Classical Gold Standard

Michael Bordo, "The Classical Gold Standard: Some Lessons for Today", Federal Reserve Bank of St. Louis Review 63 (May 1981), pp. 2-18

Feb 28 Resumption, Populism and the Politics of Silver and Gold

William Jennings Bryan wiki

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

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:

March 3 SECOND EXAM (40 minutes)

Lecture: National Banking System: What do Commercial Banks do?
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).

March 7 Financial Markets and Investment Banks: What do Investment Banks do?

Edward Morris, (2015) Ch. 1 "J. Pierpont Morgan: Jupiter;"
Hetty Green wiki
J. Bradford De Long, "Did J.P. Morgan's Men Add Value?" in P.Temin, ed.,
Inside the Business Enterprise (Chicago: University of Chicago Press,
1991), pp. 205-249

Book Titles Handed Out

March 10 Why So Many Banking Panics and Stock Market Crashes

Friedman and Schwartz (1963), Chs. 4, pp. 135-138, 152-174, 183-188.

"A Recent Bank Failure, City National Bank Failure, www.fdic.gov

Hand in Book Choice.

March 14 No Class---Spring Break

March 17 No Class---Spring Break

March 21 The Crisis of 1907 and Market Integration

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.

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.

March 24 The Founding of the Federal Reserve: The Federalized Central Bank

Edward Morris, (2015) "Paul Warburg: Daddy Warbucks"

Edward Morris (2015) "Carter Glass Unreconstructed Rebel"

March 28 World War I Upends the World Order

Friedman and Schwartz, (1963) Ch. 5, pp. 189-207; Ch. 6, pp. 240-270, 296-8.

March 31 THIRD EXAM (40 minutes)

Lecture: The Great Boom and Crash of 1929

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

April 4 The Great Depression in the United States

Friedman and Schwartz (1963) Chapter 7, all

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

April 7 The New Deal and Reform of the Financial System

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 (1994).

Jonathan Rose and Kenneth Snowden, "The New Deal and the Origins of the Modern American Real Estate Loan Contract," Explorations in Economic History 50 (2013), pp. 548-566.

April 11 Financing the Second World War

Friedman and Schwartz, (1963), Ch. 10

April 14 The Expansive Economy of the New Deal

Edward Morris, (2015), "Charles L. Merrill"

Edward Morris (2015) "John C. Bogle"

Siebert, Muriel, New York Times obituary,

[vhttps://www.nytimes.com/2013/08/26/business/muriel-siebert-first-woman-to-own-a-seat-on-wall-st-dies-at-80.html](https://www.nytimes.com/2013/08/26/business/muriel-siebert-first-woman-to-own-a-seat-on-wall-st-dies-at-80.html)

April 17 The Collapse of the New Deal and the Spike in Bank Failures

Edward Morris (2015) "Michael Milkin,"

Edward Morris (2015) "Myron Scholes"

Edward Morris (2015) "Sanford I. Weill."

April 21 **BOOK REVIEW DUE-HARD COPY IN CLASS AND ONLINE**

Lecture: The Great Moderation, the New Gilded Era, and Discrimination

Carnegie, The Gospel of Wealth, (New York 1901) selections Google Books

Veblen, Thorsten, The Theory of the Leisure Class and Conspicuous

Consumption, (New York, 1899) selections, Google Books.

Alvaredo, Facundo, Anthony B. Atkinson, Thomas Piketty, and Emmanuel Saez.

2013. "The Top 1 Percent in International and Historical Perspective." Journal of Economic Perspectives 27, no. 3: 3-20.

Helen F. Ladd, "Evidence on Discrimination in Mortgage Lending," Journal of Economic Perspectives, 12(2) Spring 1998, pp. 41-62.

Robert Barlett, Adair Morse, Richard Stanton, Nancy Wallace, "Consumer-Lending Discrimination in the FinTech Era," NBER Working Paper 25943 (June 2019).

April 25 The Subprime Crisis and Recovery

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.

April 28 The Covid, Crypto, War and Inflation

Barry Eichengreen, "From Commodity to Fiat and Now to Crypto: What Does History Tell US?" NBER Working Paper 25246, (January 2019).

Rene Stulz, “Fintech, BigTech and the Future of Banks,” NBER Working Paper 26312 (September 2019).

MAY 4, THURSDAY 12:00 PM TO 3:00 PM: FINAL EXAM