

Economics 345B
The International Economy Since 1914

2001

Professor: Mary MacKinnon

Classes: Monday, Wednesday, Friday, 11:30–12:30

Classroom: Arts 260

Office: Leacock 315

Office hours: Monday and Wednesday 2:00–3:30 pm

Email: mary.mackinnon@mcgill.ca

A) THE IMPACT OF THE FIRST WORLD WAR 3 – 24 January (9 lectures) [lecture cancelled on Friday, 5 January]

Charles H. Feinstein, Peter Temin, and Gianni Toniolo, The European Economy Between the Wars (Oxford, 1997), Introduction, Chs. 1, 2, and 3 (part), “Inter-war growth in a secular perspective,” “The legacy of the First World War,” and “The crises of the 1920s,” pp. 1–45.

G. Hardach, The First World War, 1914–1918, (University of California Press, 1977), Chs. 2 and 3, “The Allied Blockade of the Central Powers” and “Commercial Warfare and the U-Boat” pp. 11–52.

Jeremy Atack and Peter Passell, A New Economic View of American History from Colonial Times to 1940 (2nd ed.) (Norton, 1994), Ch. 20 “America Comes of Age: 1914–29,” (part) pp. 554–566.

J.M. Winter, The Great War and the British People (Macmillan, 1985) Ch. 4, “Civilian Health in Wartime Britain,” pp. 103–153.

Avner Offer, The First World War: An Agrarian Interpretation, (Oxford, 1989), Ch. 1 “Society Under Siege: Germany, 1914–1918,” Ch. 4 “Food and the German State,” Ch. 5 “Collapse” pp. 21–38, 54–78.

Steven B. Webb, Hyperinflation and Stabilization in Weimar Germany (Oxford, 1989), Ch. 6 “Capitalism, Democracy and Reparations: Allied Demands and the German Inflation,” pp. 103–119.

J.M. Keynes, “The Capacity of Germany to Pay Reparations,” in Essays in Persuasion (Rupert Hart-Davis, 1952), pp. 7–18.

Questions:

1. In what ways did World War I represent a fundamental breakdown of the prewar economic system? Can one argue that the war simply accelerated changes which were already taking place?

2. How can one measure the economic losses caused by World War I? Did any countries gain as a result of the war?
3. How did World War I affect living standards in European countries?
4. Could one argue that the peace treaties caused as much or more harm to the European economy as did the war itself?
5. What were the economic effects of the postwar hyperinflations?

B) THE 1920S 26 January–5 February (5 lectures)

Feinstein *et al.*, Chs. 3, 4, and 5, ““The crises of the 1920s,” “Output, productivity and technical progress in the 1920s,” and “International capital movements in the 1920s,” pp. 45–102.

R.S. Sayers, "The Return to Gold, 1925," in Sidney Pollard (ed.), The Gold Standard and Employment Policies between the Wars, (Methuen, 1970), pp. 85–98.

J.M. Keynes, "The Economic Consequences of Mr. Churchill," in Essays in Persuasion, pp. 244–270.

Atack and Passell, Ch. 20 (part), “America comes of age,” pp. 566–581.

Kenneth Norrie and Douglas Owsam, A History of the Canadian Economy (2nd edn.) (Harcourt, Brace, Jovanovich, 1996), Ch. 15 "Uneven Growth, 1919–1929," pp. 317–339.

Paul R. Krugman and Maurice Obstfeld, International Economics: Theory and Policy (5th edn.) (Addison–Wesley, 2000), Ch. 18 “The International Monetary System, 1870–1973,” pp. 533–546.

Questions:

1. Why did Britain return to the Gold Standard? Was the return to the Gold Standard a major cause of Britain’s poor economic performance in the 1920s?
2. Were the 1920s really the ‘Roaring Twenties’?
3. How did economies in the 1920s differ from economies in the pre–war years? What were the most important changes?

C) MACROECONOMIC CAUSES OF THE GREAT DEPRESSION 7–16 February (5 lectures)

Feinstein *et al.*, Ch. 6 “The onset of the Great Depression,” pp. 103–124.

Eugene N. White, "The Stock Market Boom and Crash of 1929 Revisited," The Journal of Economic Perspectives, 1990, pp. 67–83.

C.P. Kindleberger, The World in Depression 1929–1939 (University of California Press, 1986 REVISED EDITION), Ch. 14 "An Explanation of the 1929 Depression," pp. 288–305.

Barry Eichengreen, "The Origins and Nature of the Great Slump Revisited", Economic History Review, 1992, pp. 213–239.

Christina D. Romer, "The Nation in Depression," Journal of Economic Perspectives, 1993, pp. 19–39.

Charles W. Calomiris, "Financial Factors in the Great Depression," Journal of Economic Perspectives, 1993, p. 61–85.

Questions:

1. Did the Great Depression begin in the US?
2. Were the macroeconomic effects of the depression similar in all countries? Why or why not?
3. How different are explanations for the Great Depression which focus on the depth of decline between 1929–1933 and those which focus on the length of the depression (from 1929 to 1939)?
4. How important is the collapse of international trade in explaining why the Great Depression occurred? Why did international trade decrease so much?

D) UNEMPLOYMENT IN THE DEPRESSION 26 February – 5 March (4 lectures)

Feinstein *et al.*, Ch. 7, "Unemployment," pp. 125–145.

Barry Eichengreen and T.J. Hatton, "Introduction" in Eichengreen and Hatton, Interwar Unemployment in International Perspective (Kluwer, 1988) pp. 1–59.

D.K. Benjamin and L.A. Kochin, "Searching for an Explanation of Unemployment in Interwar Britain," Journal of Political Economy, 1979, pp. 441–478.
debate in the Journal of Political Economy between Benjamin and Kochin and their critics, 1982, pp. 369–436.

T.J. Hatton, Ch. 14 "Unemployment and the labour market in inter-war Britain," in Roderick Floud and Donald McCloskey, The Economic History of Britain since 1700, Vol. 2, (2nd edn.) pp. 359–385.

Robert A. Margo, "Employment and Unemployment in the 1930s," Journal of Economic Perspectives, 1993, pp. 41–59.

Questions:

1. Who were the unemployed in the Depression? What problems of definition and measurement must be considered when attempting to answer this question?
2. What explains the differences in unemployment rates for workers in different regions, industries, and occupations?
3. Is it plausible to claim that many unemployed workers were voluntarily unemployed? What are the main arguments for and against this position?

E) POLICY RESPONSES TO THE DEPRESSION 7–26 March (9 lectures)

Feinstein *et al.*, Chs. 8 and 9, "The fragmented world of the 1930s," and "Industrial progress and recovery," pp. 146–186.

Atack and Passell, Ch. 22, "The Great Depression, 1933–39: The Recovery?" pp. 625–646.

Peter Fearon, War, Prosperity and Depression: The U.S. Economy 1917–45 (University Press of Kansas, 1987) Ch. 11 "Agriculture and the New Deal," and Ch. 12 "The New Deal and the Search for Industrial Recovery," pp. 176–216.

Munting and Holderness, Ch. 7, "Germany," pp. 122–151.

H.W. Arndt, The Economic Lessons of the Nineteen–Thirties (Cass, 1963, first edn. 1944), Ch. 5, "France," pp. 135–151.

Norrie and Owram, Ch. 17, "The Great Depression," pp. 353–374.

Questions:

1. How much influence did governments have over the economy in the 1930s?
2. How 'revolutionary' was the New Deal? Were New Deal policies consistent and coherent?
3. Why did the German economy recover so strongly after 1933?
4. Did the Great Depression lead to the development of the Welfare State?
5. Did the American neglect of international economic stability prolong the depression? Could countries pursue domestic economic policy without considering the international consequences of their actions?
6. Was economic recovery in the later 1930s based on expansionary fiscal and monetary policy?
7. What sectors of the economy grew during the 1930s? Can one argue that, at least in Britain, the economy performed quite well for most of the 1930s?

F) THE IMPACT OF THE SECOND WORLD WAR 28 March – 9 April (6 lectures)

Feinstein *et al.*, Ch. 10, "Epilogue: The past and the present," pp. 187–204.

Peter Howlett, Ch. 1 "The wartime economy, 1939–1945," in Roderick Floud and Donald McCloskey, The Economic History of Britain since 1700, Vol. 3 (2nd edn.) (Cambridge, 1994) pp. 1–31.

Alan S. Milward, War, Economy and Society 1939–1945 (University of California Press, 1977), Ch. 4 "The Direction of the Economy" and Ch. 9 "Economic Warfare" pp. 99–131, 294–328.

Mark Harrison, "Resource Mobilization for World War II: The U.S.A, U.K., U.S.S.R. and Germany, 1938–1945," Economic History Review, 1988, pp. 171–191.

Jack Hirshleifer, Economic Behaviour in Adversity (Chicago, 1987), Ch. 1 "Disaster and Recovery: An Historical Survey," pp. 56–80, 87–94.

Nicholas Crafts and Gianni Toniolo, Economic Growth in Europe since 1945 (Cambridge, 1996), Ch. 1 "Postwar growth: an overview," pp. 1–37.

Questions:

1. How great are the differences in the economic impact of World War II and World War I?
2. Why did the world economy recover so much more quickly after World War II than after World War I?
3. Why was it difficult to conduct economic warfare in World War II?
4. How difficult is it to convert resources from peacetime to wartime uses? What were the difficulties experienced during World War II?

General Information about this course

The prerequisites for this course are Economics 208A/B and 209A/B. It is imperative that you have a sound understanding of elementary macroeconomics.

One textbook will be available from the bookstore:

Charles H. Feinstein, Peter Temin, and Gianni Toniolo, The European Economy Between the Wars (Oxford, 1997). All other required readings are reproduced in a course reader prepared by Eastman Systems. The reader will be available in the bookstore.

The written work for this course will be an essay (maximum 15 typed, double-spaced pages) and a three-hour final exam. The exam will be mainly essay answers, but there will be a short answer section as well. The essay is due on 30 March. Extensions will only be given in cases of illness, where a medical certificate is provided. The essay will be worth 40% of your mark, and the exam 60%. Essays submitted late (without a medical note) will lose 2 marks a day (including weekends). Thus an essay due on Friday, but submitted on Monday, will lose 6 marks, so if your essay receives a mark of 70%, after the late penalty you end up with 64%.

Students who receive a final grade of D,F, or J, will not be allowed to submit additional work. There will be a supplemental exam, which will be worth the same amount as the original final exam.

It is up to you to select a topic for your essay. You should speak to me before you commit yourself to a topic. You should pick a topic BEFORE Reading Week. Generally, the more specific your essay, the easier it is to structure your arguments. A paper on 'why the depression happened' is almost certain to be a disaster. A paper on 'The effects of the Stock Market Crash of 1929' or 'Overproduction of cotton in the 1920s' is much more likely to be a success. The discussion questions in the reading list may serve as the basis for some essays, although most are too general to be tackled directly. Looking at the development of one industry, or the impact of one government policy in one country, should permit you to give specific answers to general questions. I will circulate a list of suggested topics in late January.

When you sit down to start drafting your essay, remember that you are writing about a very specific topic. While practically everything is related to practically everything else, you only have 15 pages to report what you have found and draw your conclusions. You cannot start an essay on unemployment relief in Canada in the 1930s with 3 pages on Canadian economic development since 1867. Depending on your topic, you may have to do a certain amount of background reading to be able to understand the literature you are using as a basis for your paper. (This is another reason for picking a tightly defined subject — it will help to limit the amount of background reading that is essential.) One of the hard truths which you have to learn early is that you can't put everything you read into your essay. Only include background information where it is absolutely vital, and ask yourself constantly, "Why is this important for my topic? Why must I explain this to the reader?" One of the main characteristics of a bad essay is that there is a lot of 'this and that' in it. Another point which you must keep in mind is that an essay is not a mystery story. If the reader has to puzzle out for herself what your essay is about, you haven't written a good essay. A well signposted route is always the easiest to follow. State where you are going, and how you are going to get there, and then make sure that you follow your good intentions. If not, your paper will read like 'life is just one thing after another'. I recommend that you read *Writing Essays: A Short Guide* (2nd edn.) by Colin Norman (Department of English, Queen's University). Copies are available in the English section of the bookstore (in the basement). In marking essays I put considerable weight on your ability to express your ideas clearly. An essay that is full of grammatical and spelling errors is most unlikely to receive a grade as high as B-. Essays always improve with revision—it is hard to cut out or prune paragraphs you have slaved over, but it is often necessary. If you have written few essays at university, or if you have difficulty with writing essays, I STRONGLY encourage you to take a writing course, such as Fundamentals of Academic Writing 1 (course number 124–250B). **Your essay must be typed, double-spaced, with 1 inch margins on all sides. Minimum font size is 12 point. (This course outline is printed in a 12 point font.)**

Direct quotations should generally be brief (a few lines long) and fairly infrequent (rarely more than one or two on a page). An essay largely composed of a string of direct quotations and paraphrases is a poor piece of work. Stating someone else's ideas in your own words is hard work, but it is an essential skill for you to acquire. All direct quotations, however brief, must be identified as such (with quotation marks at the beginning and end of the quoted passage and the page reference). [For example: Jones claims "after law X was passed in 1926 the situation changed dramatically" (p. 78).] Whenever you refer to a specific passage of text without

quotation you must also give the page reference. [For example: *Jones claims that the passage of law X in 1926 was the turning point in ... (p. 78)*, or *The passage of law X in 1926 was the turning point in ... (Jones, p. 78)*.] You would normally have several references per page, so that the reader knows the sources for all your information.

Students sometimes fall into the trap of paraphrasing extended passages. [For example, *Jones claims that after law X was passed in 1926 the situation altered dramatically* is a paraphrase of the quotation given above.] Restating an argument in your own words does NOT mean copying chunks of text and changing only a few words here and there.

References are used to explain the source of your claims. If you do not give references, you are making unsupported assertions, and the reader of your essay is unlikely to believe unsupported assertions. If you copy down someone else's words, you need to recognize and acknowledge that they are not your own choice of words. If you do not acknowledge what you are taking (and thereby suggest that the ideas and the sentences are your own), then you are a thief (of words and ideas) and an impostor (you are claiming that you can put together more elegant sentences and use a richer vocabulary than you are in fact able to). **Be sure to footnote all ideas you take from the books and articles you consult. Plagiarism is an extremely serious offence. All direct quotations (however brief) MUST be indicated as such. Extended paraphrases and translations are also plagiarism. In accordance with university regulations, when I believe that an essay is plagiarised, I give the essay to the Associate Dean of the student's faculty. In my experience, the most common penalty for plagiarism is to be failed in the course. If you are at all unsure about what constitutes plagiarism, PLEASE see me.**