Course Description:

Depressions and booms are different sorts of economic experiences than the ups and downs of the business cycle. The data in the above graph show real GDP per working-age (15-64 years) person in the United States over the period 1900-2002. The straight line depicts growth path of 2 percent per year. Notice how different the Great Depression of 1929-1939 and the World War II boom of 1939-1946 are from the other fluctuations in the graph. This course will introduce students to the Great Depressions methodology developed by Cole and Ohanian (1999) and Kehoe and Prescott (2002). Students in this course will develop technical skills and critical thinking useful for analyzing the sorts of economic crises that occurred in the United States in the 1930s and that is occurring in Argentina now.

Readings:

Copies of most of the readings will be available on the course web site: http://www.econ.umn.edu/~tkehoe/classes/upf-04.
Assignments:

There will be three problem sets. Students also will have the option either of presenting a short research project in class or of taking a final exam.

Grading:

The mark for each problem set will be counted once, and the mark for the group project or the exam will be counted twice, providing a total of five marks. The lowest of these marks will be dropped and the remaining marks averaged. Notice that this means that, if the lowest grade is that of the group project or of the exam, its weight will be halved, but it will not be completely dropped.

Project:

The research project will require the student to find economic data for a specific country or group of countries, to perform a growth accounting exercise on this data, and analyze this data using a model or to propose a model for analyzing the data. Students opting to conduct a research project will make a 20-30 minute presentation at the end of the course. Anyone making a presentation is urged to consult


Cooperation on Assignments:

Students are permitted (and encouraged) to discuss the answers to problem sets together. Copying from another student's answers is not allowed.

Topics and Readings

1. Great Depressions: Methodology and Applications


2. **International Financial Crises**


V. V. Chari and P. J. Kehoe, “Hot Money,” Federal Reserve Bank of Minneapolis, Staff Report 228, 1997

3. **Capital Flows and Real Exchange Rate Fluctuations**


4. **The Current Crisis in Argentina**


