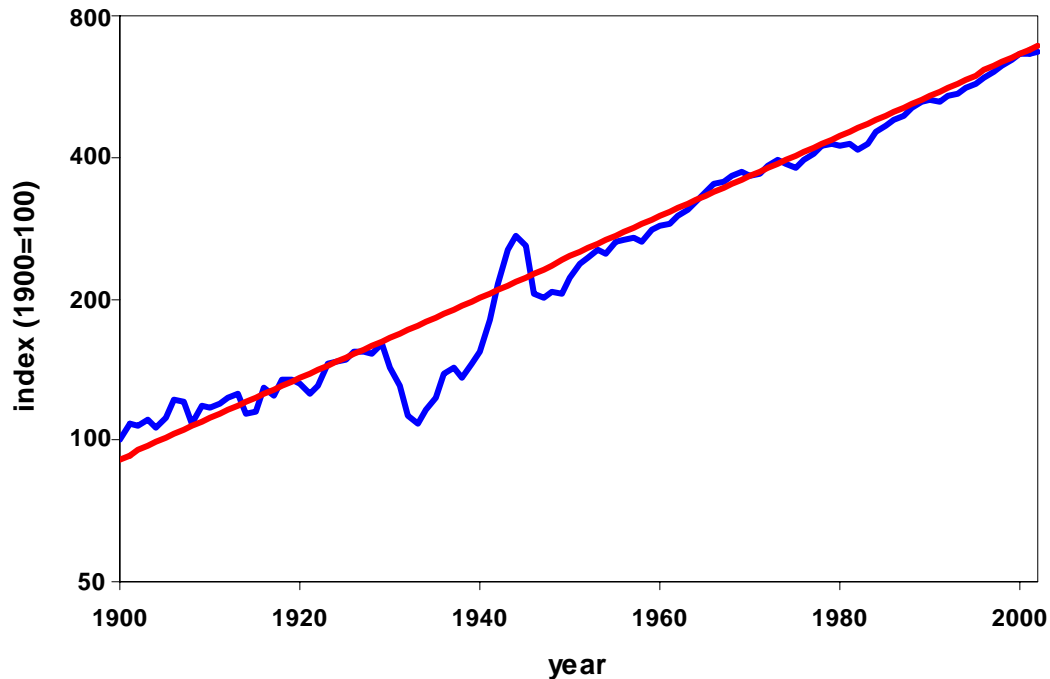


SYLLABUS

United States: GDP per working-age person



**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

T. J. Kehoe, "Some Suggestions on Preparing for Presentations"  
(<http://www.econ.umn.edu/~tkehoe/papers/tips.pdf>).

### **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**

R. Bergoeing, P. J. Kehoe, T. J. Kehoe, and R. Soto, "A Decade Lost and Found: Mexico and Chile in the 1980s," *Review of Economic Dynamics*, 5 (2002), 166-205.

H. L. Cole and L. E. Ohanian, "The Great Depression in the United States from a Neoclassical Perspective," *Federal Reserve Bank of Minneapolis Quarterly Review*, 23(1) (1999) 2-24.

J. C. Conesa and T. J. Kehoe, "Productivity, Taxes, and Hours Worked in Spain: 1975-2000," Federal Reserve Bank of Minneapolis, 2003.

T. J. Kehoe and E. C. Prescott, "Great Depressions of the Twentieth Century," *Review of Economic Dynamics*, 5 (2002), 1-18.

T. J. Kehoe and K. J. Ruhl, "Recent Great Depressions: Aggregate Growth in New Zealand and Switzerland 1973-2000," *New Zealand Economic Papers*, 37 (2003), 5-40.

## **2. International Financial Crises**

H. L. Cole and T. J. Kehoe, "A Self-Fulfilling Model of Mexico's 1994-95 Debt Crisis," *Journal of International Economics*, 41 (1996), 309-330.

H. L. Cole and T. J. Kehoe, "Self-Fulfilling Debt Crises," *Review of Economic Studies*, 67 (2000), 91-116.

T. J. Kehoe, Comment on "Are Currency Crises Self-Fulfilling?" by Paul Krugman, in B. S. Bernanke and J. J. Rotemberg, editors, *NBER Macroeconomics Annual 1996*, MIT Press, 1996, 378-392.

P. Krugman (1979), "A Model of Balance of Payments Crises," *Journal of Money Credit and Banking*, 11, 311-325.

P. Krugman (1996), "Are Currency Crises Self-Fulfilling?" in B. S. Bernanke and J. J. Rotemberg, editors, *NBER Macroeconomics Annual 1996*, MIT Press, 1996, 346-378.

M. Obstfeld, "Models of Currency Crises with Self-Fulfilling Features," *European Economic Review*, 40 (1996), 1037-1048.

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**

R. Bems and K. Jönsson, "Trade Deficits in the Baltic States: How Long Will the Party Last?" Stockholm School of Economics, 2003.

G. Fernández de Córdoba and T. J. Kehoe, "Capital Flows and Real Exchange Rate Fluctuations Following Spain's Entry into the European Community," *Journal of International Economics*, 51 (2000), 49-78.

## **4. The Current Crisis in Argentina**

G. A. Calvo, A. Izquierdo, and E. Telvi, "Sudden Stops, the Real Exchange Rate, and Fiscal Sustainability: Argentina's Lessons," Inter-American Development Bank, 2002.

A. De la Torre, A., E. Levy Yeyati, and S. L. Schmukler, “Argentina’s Financial Crisis: Floating Money, Sinking Banking,” World Bank, 2002.

J. M. Da Rocha, E. L. Giménez, and F. X. Lores (2002), “Devaluation Beliefs and the Argentinian Debt Crisis,” Universidade de Vigo, 2002.

T. J. Kehoe, “What Can We Learn from the Current Crisis in Argentina?” *Scottish Journal of Political Economy*, 50 (2003), 609-633.

Perry, G. and L. Servin, “The Anatomy of a Crisis: Why Was Argentina Special and What Can We Learn from It?” World Bank, 2002.