This course is a one semester elective designed primary for undergraduates. The course will present and evaluate contemporary theories of monetary and fiscal policy by describing and analyzing decisions at the federal and state levels about taxes, spending, and debts in the United States. We will pay particular attention to debt crises, the financing of wars and infrastructure, and the development of public institutions. We will also discuss the political debates surrounding the choices made.

Goals for this course include that you learn:

- the causes and consequences of fiscal crises
- contemporary theories of optimal fiscal and monetary policy
- bond pricing formulas and theories of optimal debt management
- some history of the United States by examining government spending and revenue choices at federal and state levels.

Prior to enrollment, students should have taken at least one of the following courses: Econ 2a, Econ 10a, or Econ 20a, or an equivalent. It is assumed that students are comfortable with high school mathematics and are willing to learn a little more mathematics along the way.

Lectures will be given on Tuesdays and Thursdays from 3:30 to 4:50 in Lemberg Academic Center, Room 055. The lecture notes, which will be distributed prior to each class in the form of overheads and on *The Fiscal History of the United States* webpage, constitute the primary reference for the economic theory and data presented in the course. The URL for the webpage will be provided in class.

The textbooks for the course are:


Dewey’s masterpiece is available from google books as well as some on-line booksellers. Try to purchase as late an edition as possible. Dewey’s text is ‘old school’ (and old), but it is thorough with respect to U.S. financial history and especially to fiscal history. It is content rich – read it slowly.

Rockoff’s book focuses on war finance. But as you will see, so does the course!

The lecture notes and the readings from Dewey and Rockoff constitute the core material covered in the class. The additional readings, as well as class handouts, supplement the lecture notes, Dewey, and Rockoff by providing: 1) further details of the implementation of various policies; 2) deeper discussions of the political and historical contexts of the fiscal decisions; and 3) contemporary examples of the fiscal issues presented in class.

If you have never taken a high school or college course in U.S. history, you will find it helpful to have an American history text on your bookshelf.\(^1\) Good choices include:


or


My contact information is:

George Hall
ghall@brandeis.edu
164 Sachar International Center
Office Hours: Wednesdays 3-5.

Emma Farrell is the teaching fellow for this course. Emma will grade problems sets and be available to answer questions. Her e-mail address is efarrell@brandeis.edu.

The home page for this course is available through LATTE. Announcements, problem sets, and additional handouts will be posted on this page. You are encouraged to check the web page regularly.

There will be an in-class mid-term examination and a final examination. The dates for the mid-term exam is Thursday, October 24. The final examination will be scheduled by the Registrar’s Office. An early final will NOT be given. All exams will be closed book.

\(^1\)Don’t kid yourself that “all I need is wikipedia.” Even if you took AP American History in high school and earned a 5 on the AP exam, you have probably forgotten more than you would like to admit. Refresh your memory. Own a good history book.
There will be regular written assignments in the course. These problem sets are required. Problem sets are “batting practice” for the examinations; students can expect that some questions on the examinations will be quite similar to those previously seen on problem sets.

Thoughts & Questions (TQs): TQs are brief responses to questions on the readings that you will submit before class. The TQs will often be general questions such as: What did you find most confusing in the reading? but will sometimes comprise more specific questions. You must submit TQs by 9:00 AM the day of class via Google Forms. The TQs will be graded on a credit/no credit basis. You will receive credit for responses that reflect a good-faith effort to write thoughtfully about the reading.

Letter grades in the course will be determined by the instructor. The weights are: 30% for the mid-term examination; 40% for the final examination; and 30% for assignments, T&Qs, and course participation.

Laptops are fine for taking notes, but please respect your classmates and instructor by limiting yourself to class-related activities. Though you may be a phenomenal multi-tasker, using a laptop for purposes other than taking notes is distracting to those around you.

Success in this 4 credit hour course is based on the expectation that students will spend a minimum of 9 hours of study time per week in preparation for class (readings, papers, discussion sections, preparation for exams, etc.).

While you are encouraged to discuss course assignments with others, you are expected to do your own work. Resist the temptation to copy someone else’s work. This is worse than useless as it is not only a violation of Brandeis University rules but also will lull you into a false sense that you understand the material.

More generally, you are expected to be honest in all of your academic work. Please consult Brandeis University Rights and Responsibilities for all policies and procedures related to academic integrity. Students may be required to submit work to TurnItIn.com software to verify originality. Allegations of alleged academic dishonesty will be forwarded to the Director of Academic Integrity. Sanctions for academic dishonesty can include failing grades and/or suspension from the university. Citation and research assistance can be found at LTS.

If you are student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see Mr. Hall immediately.
Topics and Reading List

1. Introduction to the Course

2. The Government Budget Constraint

3. A Primer on Bond Pricing

4. 1775: How to Finance a Rebellion, Part I.

5. 1783: The Articles of Confederation
   - Dewey, chapter II, section 21-25.
   - The Articles of Confederation.

6. 1787-1790: The Grand Bargain
   - Dewey, chapters III and IV.
   - The U.S. Constitution.

- Hamilton’s Report is a masterpiece. If you have the time, read it
  - Hamilton, Alexander (1790) *Report Relative to a Provision for the Support of Public Credit*

7. 1790-1812: The Early Republic

- Dewey, chapters V and VI.
- The Greatest Real Estate Transaction in History
- For a deeper dive,

8. The War of 1812, Ricardian Equivalence and Tax Smoothing

- Dewey, chapter VI, sections 59-64.
- Again, for a deeper dive,

9. Internal Improvements and Federal Land Policy

- Dewey, sections 91 and 92.

10. State Finances and the Debt Crisis of the 1840s

- Dewey, chapter X.
• Roberts, Alasdair (2012) “The States’ Crisis” chapter 3 of *America’s First Great Depression: Economic Crisis and Political Disorder After the Panic of 1837*

11. 1861: The U.S. Civil War

• Dewey, chapters XII and XIII.
  http://eh.net/encyclopedia/article/ransom.civil.war.us

12. How to Finance a Rebellion, Part II: The Confederacy


13. Reconstruction, Resumption, and Gold and Silver Politics

• Dewey, chapters XIV and XV
• Further Reading


• Dewey XXI
15. World War I
   • Dewey, chapters XIV and XV
   • Rockoff, chapter 5, “World War I”

16. 1920s and 1930s and the Web of International Debts and the Transformation of the Treasury Market

17. World War II
   • Rockoff, chapter 6, “World War II”

18. The Korean War, and the Economics of the Draft
   • Rockoff, chapter 7, “The Korean War”. Also see pages 24-27.

19. Vietnam, the Great Society and the Collapse of Bretton Woods
   • Rockoff, chapter 9, “The Vietnam War”

20. Reganomics and “Starve the Beast”

21. Future Fiscal Challenges
   • CBO, The 2019 Long Term Budget Outlook https://www.cbo.gov/publication/55331
   • Miron, Jeffrey U.S. Fiscal Imbalance Over Time: This Time is Different.