

Pre-Section Exercise #7

In 2002, Ben Bernanke, then Chairman of the Federal Reserve (do you know who the current chair of the Federal Reserve is?), remarked:

“I would like to say to Milton [Friedman] and Anna [Schwartz]: Regarding the Great Depression. You’re right, we did it. We’re very sorry. But thanks to you, we won’t do it again.”¹

Ben Bernanke was referring to the monetarist theory of the Great Depression, as discussed in Walton and Rockoff’s chapters on the Great Depression for this week (Ch. 22-23). What does this theory say? Identify and define at least two other theories discussed in the chapters. Based on your reading of the evidence, which one theory of the Great Depression do you think is most convincing and why?

¹“Remarks by Governor Ben S. Bernanke At the Conference to Honor Milton Friedman, University of Chicago, Chicago, Illinois, November 8, 2002, On Milton Friedman’s Ninetieth Birthday” <http://www.federalreserve.gov/boarddocs/Speeches/2002/20021108/default.htm>