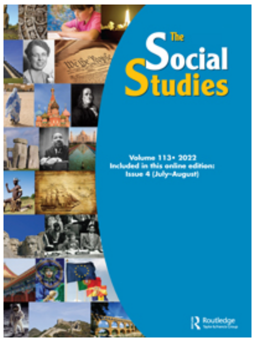

The Social Studies

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/vtss20

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THE SOCIAL STUDIES
https://doi.org/10.1080/00377996.2022.2097624

High School History Textbooks and the Causes of the Great Depression: Missing the Obvious

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ABSTRACT
Years ago, it became established that the severity and length of the Great Depression were due largely to misguided Federal Reserve monetary policy and the resulting catastrophic bank failures. This result is confirmed by surveys of scholars in the area and books specifically written on economic history. Yet the leading textbooks used in high school US history fail to reflect these findings. The texts (1) tend to ignore the recognized causes of the Great Depression's severity and (2) overstate the role of other causes rejected by the majority of economic historians. After laying out this curious disjuncture, this article presents curricular resources to help high school teachers more accurately present the Great Depression's causes.

KEYWORDS
Great depression; textbooks; economics; economic history; history

Introduction

> You're right, we did it. We're very sorry. But thanks to you, we won't do it again. –Ben Bernanke, November 8, 2002

When the prominent Federal Reserve economist Ben Bernanke apologized for the severity of the Great Depression, he was reflecting a strong and established consensus: Without the policy misfeasance of the Fed, the mild recession of the 1920s would never have turned into the Great Depression. Bernanke, then a member of the Fed's Board of Governors, was addressing Milton Friedman on his 90th birthday. In acknowledging that Friedman and Anna Schwartz (Friedman and Schwartz, 1963) were correct about the cause of the Great Depression, Bernanke was summarizing well-grounded economic research. Friedman and Schwartz's thesis blaming the Fed's policy originally was controversial but became established by the overwhelming weight of monetary evidence.

Bernanke was in a unique position to apologize on behalf of the Fed. He was a major contributor to the academic literature on the sources of the depression's severity. Later, as chair of the Federal Reserve Board of Governors, Bernanke closely followed the policy prescriptions recommended by his research. Bernanke's policies during the 2007–2008 financial crisis clearly showed the influence of this understanding of the Great Depression's causes as the Fed's policies emphasized limiting bank failures and preventing the money supply from sharply contracting.

In his remarks, Bernanke was expressing a professional consensus about the causes of the Great Depression that is reinforced both by surveys of economic historians and by leading college-level economic history textbooks. Curiously, what Bernanke (2002) called "the leading and most persuasive explanation of the worst economic disaster in American history" gets little emphasis in high school US history textbooks—and in fact is totally absent in some of the leading texts.

A second puzzle lies in some of the explanations that leading US history textbooks do advance in explaining the onset of the Great Depression. In particular, the words "inequality," "underconsumption" and "overproduction" and

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Supplemental data for this article is available online at https://doi.org/10.1080/00377996.2022.2097624.

their equivalents appear nowhere in the 5,574-word text of Bernanke's address. Nor do they appear in most economic historians' views about the root causes of the Great Depression. These alleged causes of the Great Depression are much more popular with historians than economists. In short, textbook treatments in US history textbooks underemphasize or neglect the most widely recognized causes of the Great Depression while advancing potential causes with much shakier support from scholars in the field.

Previous studies on monetary influences in history textbooks

Has there been sufficient time for the economic consensus on monetary policy and the Great Depression to work its way into US history textbooks? We believe that clearly is the case. Miller and Rose (1983) found deficiencies like the ones we emphasize in the history textbooks decades ago. They pointed out that while the then-prevailing economic research came to a consensus around fiscal and monetary policies as contributing factors to the calamity, still, "the textbooks examined largely ignored the impact of government policies." Cargill and Mayer (1998) came to similar conclusions after examining the treatment of the Great Depression in a survey of books considered for adoption in Nevada.

More recent surveys show that the deficiencies continue. The book-length *Rethinking the Great Depression* (Smiley, 2003) and an essay by Lawrence Reed (2010) have demonstrated that high school–level treatments largely ignore the role of the Federal Reserve and monetary policy. A newsletter published by the St. Louis Federal Reserve Bank (Lopez, 2011) adds further evidence, pointing out how differently the Bernanke-led Federal Reserve responded to the Great Recession of 2007–2009. Thus, the Fed learned its lesson from the Great Depression, but that (extremely costly) lesson does not even appear in some leading high school US history textbooks. Nor does the problem end with the division between high school and college. Most recently, a group of scholars has identified a similar weakness in the treatment of the Great Depression in college-level economics and US history texts (Horpedahl et al., forthcoming).

The causes of the Great Depression: Economic history textbooks

Continuing at the college level, we now shift the focus to those texts written specifically about economic history rather than general history. Early accounts of the Great Depression tended to acknowledge the challenge in disentangling the actual causes of the event, to suggest further study is required, and then to list a number of possible factors. For example, John Kenneth Galbraith's *The Great Crash*, originally published in 1955, listed five potential causes without attempting to judge their relative importance. Nowhere on Galbraith's list of potential causes was the monetary policy of the Federal Reserve as the primary cause (1955).

In most cases, current economic history texts distinguish between events that led a to decline in economic activity in the 1930s (a recession) and those that caused the calamity that was the Great Depression. Authors acknowledge that much research has been done on the Great Depression. Keynesian and monetarist views are explained. The key role of the Federal Reserve always receives much attention.

Walton and Rockoff (2018), a popular economic history text, is a good example. The authors explain a number of forces in the late 1920s that were dragging the economy toward recession. These included a decline in residential and nonresidential construction and weakness in the agricultural sector, which played a part in both the stock market crash of October 1929 and stress on the banking sector. In explaining why this predicable economic downturn turned into a prolonged depression, however, Walton and Rockoff cite the Smoot-Hawley Tariff and the failure of the Federal Reserve to act as a lender of last resort. Further, Walton and Rockoff note that many economists believe the political and business climate created by the New Deal slowed the economic recovery through the uncertainty they created for businesses.

Greenspan and Woolridge (2018) devote over 50 pages of their trade book to a discussion of the Great Depression. While stressing the importance of a failed world order at the time, Greenspan and Woolridge argue that America's "quirky" banking system and the policy failures of the Federal Reserve were important contributors to the severity of the depression. They explain Fed policy errors, including raising interest rates four times from 1928 to 1929 and again in the fall of 1931. They blame the Fed for failing to act as a lender of last resort—for example, by allowing the Bank of the United States in New York to fail. They do, however, give the Fed a break by explaining that "the Fed was only 15 years old in 1929 and was still very much feeling its way."

It is worth mentioning that standard principles of economic textbooks tend to get it right. One example is the popular *Economics: Private and Public Choice* by James D. Gwartney et al. (2018). The authors devote 14 pages to the Great Depression. They point to the failures of the Fed as a primary cause of the Great Depression. They also discuss other contributors including the Smoot-Hawley trade bill of 1930 and tax increases in the middle of a severe recession.

The causes of the great depression: Economists and historians

We now turn to a direct survey of scholars in the area. Robert Whaples (1995) surveyed 178 randomly selected members of the Economic History Association (EHA) on a wide variety of topics. Seeking to gauge the level of consensus, Whaples included both historians and economists. He asked for their level of agreement on historical issues as diverse as the colonial economy, the causes of the revolution, slavery, and railroads. The survey included six propositions on the Great Depression:

1. Monetary forces were the primary cause of the Great Depression.
2. The demand for money was falling more rapidly than the supply of money during 1930 and the first three-quarters of 1931.
3. Throughout the contractionary period of the Great Depression, the Federal Reserve had ample powers to cut short the process of monetary deflation and banking collapse. Proper action would have eased the severity of the contraction and very likely would have brought it to an end at a much earlier date.
4. A fall in autonomous spending, particularly investment, is the primary explanation for the onset of the Great Depression.
5. The passage of the Smoot-Hawley Tariff exacerbated the Great Depression.
6. Taken as a whole, government policies of the New Deal served to lengthen and deepen the Great Depression.

Whaples separated the results between historians and economists and asked respondents to either "agree," "agree with provisos," or "generally disagree" with each statement. For the purposes of this study, the first two options were combined to measure the general level of agreement with each statement. Key results, detailed in Table 1, display the percentage of respondents that agreed or disagreed with each statement and include:

- There is clear consensus among economists and historians that the Smoot-Hawley Tariff of 1930 exacerbated the Great Depression.
- By a large margin, both groups of scholars agree that the Federal Reserve had the power to mitigate the Great Depression and failed to apply that power.
- There is significant disagreement among economists and historians on the effects of the New Deal, with economists less favorable. Almost three of four historians reject the idea that the New Deal lengthened and deepened the depression, while economists are generally split on the question.
- There is substantial disagreement about the role of monetary forces in causing the Great Depression. Economists are split evenly, but historians reject it with only about one third of historians in agreement.
- Slightly more economists agree that a fall in aggregate demand (proposition 37) was an important cause, but there is still not clear agreement.

The results of this survey indicate some disagreement within and between historians and

Table 1. Responses among economic historians on the causes of the great depression.

	Agreement economists	Agreement historians	Disagreement economists	Disagreement historians
34. Monetary forces were the primary cause of the Great Depression.	47	32	52	66
35. The demand for money was falling more rapidly than the supply of money during 1930 and the first three-quarters of 1931.	60	69	40	31
36. Throughout the contractionary period of the Great Depression, the Federal Reserve had ample powers to cut short the process of monetary deflation and banking collapse. Proper action would have eased the severity of the contraction and very likely would have brought it to an end at a much earlier date.	75	78	25	22
37. A fall in autonomous spending, particularly investment, is the primary explanation for the onset of the Great Depression.	62	52	39	49
38. The passage of the Smoot-Hawley Tariff exacerbated the Great Depression.	86	85	14	15
39. Taken as a whole, government policies of the New Deal served to lengthen and deepen the Great Depression.	49	27	51	74

Source: Whaples (1995).

economists. Considering this survey was conducted in 1995, one would expect the results to elicit more agreement among both economists and historians for the Federal Reserve's role in causing the Great Depression today. Both Bernanke's 2002 declaration and research in the years since this survey have gained widespread attention. Still, given the widespread agreement about the Fed's policy failure, monetary forces would be expected to appear prominently in US history texts. The role of monetary deflation and bank failures would also be a natural topic. The role of the Smoot-Hawley Tariff would be expected to be universally discussed. However, such expectations would be disappointed.

High school US history textbooks and the Great Depression

Textbook publishers as well as others interested in curriculum develop routinely look to national and state standards for content guidance. State and national educational standards in US history, however, provide only general outlines for what students should learn about the Great Depression. Thus, the standards do not provide definitive guidance for textbook content. An examination of national US history standards (NCSS, 2010) reveals only vague language calling for students to learn the causes of the Great Depression without telling teachers what those causes are. Below are the two specific standards from this document that relate to the Great Depression.

- Understands the causes of the Great Depression and how it affected American society.
- Understands how the New Deal addressed the Great Depression, transformed American federalism, and initiated the welfare state.

More recently, the National Council for the Social Studies released standards from the nation's largest states follow a similar pattern. These standards call for students to learn about the causes of the Great Depression (California) or even fail to mention the Great Depressions specifically at all (Florida, New York, Texas). Given this lack of guidance from national and state education standards, inconsistent treatment in high school US history texts is not surprising.

Table 2 summarizes the treatment of the Great Depression's causes and severity in six leading high school US history textbooks and *Barron's A.P. U.S. History* study guide. These books were chosen after we conducted a convenience survey of high school US history teachers who attend our workshops asking them which books they use in their classes. In most cases, these books list possible influences on the event without assigning causation or attempting to judge the relative importance of each factor. As Table 2

Table 2. Explanations for the cause or severity of the great depression in high school history textbooks.

	Underconsumption	Income Inequality	Overproduction	Debt, Credit, Bankruptcies	Stock Market Crash	Federal Reserve Policies	Bank Failures	Tariffs and international trade
The Americans, Holt McDougal (2011)		X		X				X
The American Vision, Appleby et al. (2010)*	X	X	X		X			X
History Alive! Pursuing American Ideals, Hart (2009)	X	X			X	X		X
Barron's AP U.S. History, Resnick (2016)	X		X		X			X
United States History, Lapansky-Werner (2011)		X		X	X			
United States History and Geography, McGraw Hill (2013)		X			X	X	X	
America: History of Our Nation, Prentice Hall (2009)			X				X	

*This text does mention the mistakes of the Federal Reserve in a section following the causes of the Great Depression.

indicates, the following causes are mentioned by high school textbooks of US history published in the past fifteen years and used by teachers we communicated with:

- underconsumption of goods and services following the prosperity of the 1920s,
- income inequality of the 1920s,
- overproduction of businesses,
- debt and credit issues for households and farms,
- the 1929 stock market crash,
- Federal Reserve policies,
- bank failures, and
- tariffs and international trade.

Only two books specifically mention Federal Reserve policies and bank failures—the leading causes according to economists and economic history textbooks as well as former Federal Reserve chair Bernanke. Four of the seven books cite tariffs and international trade, again underemphasizing a consensus among economists. Together, these strike us as overlooking the obvious.

Five of the seven books cite income inequality and the stock market crash as causes of the Great Depression. These two causes are not even posed as possibilities in the Whaples (1995) study or taken seriously in any of the economic history textbooks we examined. Thus, history texts overstate the obscure, at least as far as economic history goes.

It is beyond the scope of this article to examine the validity of the income-inequality hypothesis. However, we note that among macroeconomic analysts, the connections between inequality and growth are not well established, with some suggesting that certain amounts of inequality actually promote growth (Barro 2000). Further, the inequality hypothesis as currently understood operates through changes in education—not a suitable explanation for the 1920s.

More fundamentally, the multiple causes of the Great Depression advanced by history textbooks, from underconsumption to bank failure, are more properly seen as effects of the decisive policy failure by the Federal Reserve. It is unfortunate for students and teachers that history textbooks can mention these multiple effects without accounting for the effects of monetary policy in driving almost all of them.

Solutions for US history teachers to get it right

Conventional US history high school textbooks fail to adequately explain the causes of the Great Depression. In some cases, they fail even to mention what leading economists and economic historians believe to be the causes. However, other Supplementary materials designed to infuse economic literacy take a different approach. The following resources can help US history teachers provide a more accurate treatment of the Great Depression by incorporating the scholarship of economists and economic historians.

- A 2006 curriculum from the National Council on Economic Education (today called Council on Economic Education [2006]) employs a mystery-type pedagogy to aid students in understand the depression's causes. In the end, the lesson makes it clear that the leading cause was Federal Reserve policy and bank failures.
- Another popular supplementary book titled *Economic Episodes in American History* (Schug et al., 2019) provides chapters that apply the economic way of thinking to major events taught in a year-long high school US history course. In the chapter on the Great Depression, the authors explain the monetary failures of the Federal Reserve in detail while acknowledging the contribution of the Smoot-Hawley Tariff in worsening the event.
- The St. Louis Federal Reserve Bank has published a lesson (2014) titled, "What really caused the Great Depression?" In it, the role of the Federal Reserve itself is explored as a leading cause.
- The Economic History Association is a group of scholars dedicated to research and scholarship on economic history topics. The association's website houses scholarly research, book reviews, historical economic data, course syllabi, and essays. This organization's essay on the Great Depression (Parker, 2002) documents the leading causes of the Great Depression without even mentioning the overproduction explanation found in many US history texts. (Clearly the total production of the economy was greater than the total demanded, but that was a result of the monetary imbalance and could not have been sustained with a suitable monetary policy).
- Izzit.org provides an interesting and balanced educational video (2015) on the causes of the Great Depression.
- The Foundation for Teaching Economics (FTE) provides a set of lesson plans titled *Economic Forces in American History* with one lesson dedicated to the Great Depression and its causes.

Conclusion

Ben Bernanke, former board member and chair of the Federal Reserve System, acknowledged what most economic and economic history research has concluded for many years, that Federal Reserve policies and bank failures were a primary cause of the Great Depression. For years, high school and college US history books have failed to incorporate this information into the leading texts used to teach American students. To overcome this deficiency, this article presents curricular resources for US history teachers to implement in their classrooms.

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