

ECON 5110 Problem Set #5

Due: Tuesday, April 28, 2009 (in class)

Macroeconomists have become increasingly interested in explaining the fundamental causes of the U.S. Great Depression (1929-1939). The three articles listed in the syllabus outline distinct explanations for the Great Depression—one *New Keynesian*, one *Neoclassical*, and one a *Sunspot* theory of the business cycle.

Read the three articles carefully and answer the following questions.

1. Write three short essays (one-to-two paragraphs each) describing how these articles explain the Great Depression.
2. Contrast the differences and similarities between the explanations. Which explanation do you find most plausible? Defend your answer.
3. Is it likely that the U.S. will ever suffer another Great Depression? Again, defend your answer.