

Econ 311-003

Intermediate Macroeconomics
Tuesday and Thursday: 130-245 PM
Planetary Hall 127

Spring 2015

Instructor: James Caton

Office Hours: Tue, Thur 3:00 – 4:00 PM

Email: jcaton@gmu.edu

Website: <http://economics.gmu.edu/people/jcaton>

Required Texts:

Rustici, T., Caton, J., Shamoun, D., Shamoun, T. (2015) *Macroeconomics: Monetary Foundations of the Macroeconomy*. San Diego, CA: Cognella.

Rustici, T., Caton, J., Shamoun, D., Shamoun, T. (2015) *Macroeconomics: Past and Present*. San Diego, CA: Cognella.

Course Prerequisites:

Principles of Economics (Econ 103 and 104) or equivalent.

Grading:

Classroom Participation:	10%
Weekly reading definitions and questions:	15%
Discussion:	25%
Midterm:	20%
Final:	30%
Extra Credit:	5% – 10%

Be aware that there will be no special extra credit offered to help students to raise their grade. Only extra credit offered in this syllabus will be available during the semester. Do not contact the professor about grades unless there has been a typographical error on entry of the grade.

Grades Scored Between Grade

97% and Higher

A+

94% and Less Than 97%	A
90% and Less Than 94%	A-
87% and Less Than 90%	B+
84% and Less Than 87%	B
80% and Less Than 84%	B-
77% and Less Than 80%	C+
74% and Less Than 77%	C
70% and Less Than 74%	C-
60% and Less Than 70%	D
Less Than 60%	F

Discussion:

Discussion will consist of an inner and outer circle of participants. Those in the inner circle are responsible with leading discussion. Discussion will focus around questions written by discussion participants. The goal of each participant is not only to show off one's own knowledge, but also to build off of the contributions of other participants. During the discussion, only the inner circle will communicate participate during the first 20 minutes of discussion. In the last 5 minutes, those in the outer circle will have an opportunity to comment or offer retort. Grades for each discussion will reflect my assessment of each student's 1) familiarity with the content, 2) contribution of new and/or well thought out perspective.

Students will sign up for the inner circle online prior to class. If the number of participants has not reached 15 by the prior class meeting, I will ask for volunteers, or select them on my own if no volunteers are available. Each student is expected to participate in the inner circle at least 5 times.

Exams:

Students will complete a midterm and a final exam. These exams must be taken at the scheduled time. Exceptions may be made in the case of an emergency – for example, a medical emergency or death in the family – and will be dealt with on a case by case basis.

Extra Credit:

Any time during the semester, students can bring in a 1 to 2 page write-up that relates a current event to the material discussed in class. This should include either an attached article or link to short video of 3 minutes or less that conveys the topic of interest. The student will be responsible for explaining the material from his or her write-up to the class in approximately two minutes. Two write-ups may be turned in for a maximum of 10% of the overall course grade. The student must notify the professor at least 24 hours prior to the date that he or she expects to present. Write-ups must be double-spaced in 12 point Times New Roman font.

Course Objective and Overview:

This course is designed to guide students toward a deep, fundamental understanding of macroeconomics. Students will learn to employ tools that will help them to both understand monetary and macroeconomic issues in the news and history, as well as apply them to understand the likely

outcomes of a variety of monetary and macroeconomic policies. During this course, students will be exposed to conflicting perspective. It is the student's job to evaluate and work through these conflicts both outside and inside of the classroom. This course is intended to aid each student in growing his or her knowledge and familiarity with the language and logic of economics. Consequently, discussion must relate to the underlying material outlined herein.

Attendance

It is expected that each student will attend class regularly and participate in discussions. There will be no regular attendance as a substantial portion of each student's grade will be dependent upon their regular contribution to discourse in the classroom.

Communication

Whenever necessary, I will email the class with announcements via blackboard. This requires that each student regularly check his or her Mason email account. It is the student's responsibility to activate the Mason email account and employ it in communicating with their department and university administration whenever necessary.

Honor Code:

Students are expected to understand and comply with George Mason University's Honor Code. Students may neither give nor receive help from other students or from sources not specifically condoned by the instructor during the exam. Students are obligated to report any violations observed.

Students with Disabilities:

If you are a student with a disability and you need academic accommodations, please see me and contact the [Office of Disability Services](http://ods.gmu.edu) at 703-993-2474 or <http://ods.gmu.edu>. All academic accommodations must be arranged through that office.

Lecture Structure

Reading (15-20 minutes)

- Summaries (5 minutes)
- Clarifying questions (5 minutes)
- Collect 3 Words with Definitions (5-10 minutes)

Lecture (20-25 minutes)

- Introduce topic generally (5 minutes)
- Model, Technical Details, Vocabulary (10-15 minutes)
- Application in media, in the news (5 minutes)*

Discussion (20-25 minutes)

- Inner circle (20 minutes)
- Outer circle (5 minutes)

Final Thoughts (5 minutes)

Looking Ahead (5-10 minutes)

- Preview next week's readings, videos (5-10 minutes)

*Extra Credit

Week 1 – Complexity and Auto-poetic Order

Tuesday: Economic Complexity and Perception

Readings and Videos Due:

I Pencil

I Pencil (video): <https://www.youtube.com/watch?v=IYO3tOqDISE>

Be Suspicious of Stories: http://www.ted.com/talks/tyler_cowen_be_suspicious_of_stories

Thursday: Human Action

Readings Due:

“A First Analysis of the Category of Human Action” by Ludwig von Mises

“How the Price System Works” by Henry Hazlitt

Week 2 – The Objects of Economic Analysis (I)

Tuesday: Economic Goods and Scarcity

Readings and Videos Due:

“The General Theory of the Good” in *Principles of Economics*, by Carl Menger

http://mises.org/sites/default/files/Principles%20of%20Economics_5.pdf

Scarcity in Economic – Definition: <https://www.youtube.com/watch?v=-A916v81IYQ>

Thursday: Prices and Information

Readings and Videos Due:

“The Formation and Function of Prices” by Hans Sennholz

“The Use of Knowledge in Society” by F. A. Hayek

What Do Prices “Know” That You Don’t?: <https://www.youtube.com/watch?v=WPY-QKXofQs>

Week 3 – The Objects of Economic Analysis (II)

Tuesday: The Entrepreneur and the Economy

Readings and Videos Due:

“The Entrepreneur” by Gustav Cassel

“The Instability of Capitalism” by Joseph Schumpeter

Does Government Create Jobs: <https://www.youtube.com/watch?v=xr9iLCR1Usk>

Thursday: The Market Discovery Process

Readings Due:

“Entrepreneurial Discovery and the Competitive Market Process” by Israel Kirzner

<http://econfaculty.gmu.edu/pboettke/summer/summer%20docs/kirzner1997.pdf>

(Sections II and III, 63-74)

“Competition as Discovery Process” by F. A. Hayek

https://mises.org/sites/default/files/qjae5_3_3.pdf

“Hayek, Auto-poetic Social Order, and Critical Realism” by James Caton

http://moneymarketsandmisperceptions.blogspot.com/2014_10_01_archive.html

Week 4 – Money

Tuesday: The Origins and Evolution of Money

Readings and Videos Due:

“The Island of Stone Money” by Milton Friedman

“The Theory of Money” by Carl Menger*

“An Evolutionary Theory of the State Monopoly over Money” by David Glasner*

Why Not Print More Money: <https://www.youtube.com/watch?v=ZkyBnaYCUhw>

Thursday: The Value of Money

Readings Due:

“On the Minting of Money” by Nicolas Copernicus

“Of Money” by David Hume

Week 5: The Quantity Theory of Money

Tuesday: The Quantity Theory

Readings Due:

“Of the Value of Money as Dependent Upon Demand and Supply” by John Stuart Mill

“The Quantity Theory: Its Versions and Variables” by Thomas Rustici

Thursday: Inflation and Hyperinflation

Readings and Videos Due:

“Fiat Money in France” by Andrew White

“The Roman Hyperinflation” by Thomas Rustici

“Cross Country Data on Inflation and Monetary Growth” by Robert Barro

The Costs of Inflation: <https://www.youtube.com/watch?v=9zFQ0KhKkpw>

Week 6: Aggregate Demand and Supply

Tuesday: Aggregate Demand and Aggregate Supply

Readings and Videos Due:

“Appendix 3: Price Level, National Income Accounting, and Aggregate Supply and Aggregate Demand”

“The Determinates of the Objective Exchange-Value, or Purchasing Power, of Money” by Ludwig Von Mises

Aggregate Demand: https://www.youtube.com/watch?v=oLhohwfwf_U

Long-Run Aggregate Supply: <https://www.youtube.com/watch?v=8W0iZk8Yxhs>

Thursday: Short-run Aggregate Supply

Readings and Videos Due:

“The Money Illusion” by Irving Fisher

“Classical Economics Reconsidered” by Thomas Sowell

Business Cycles Explained: Sticky Wages and Prices: <https://www.youtube.com/watch?v=-5zRfUb7D2U>

Short-run Aggregate Supply: <https://www.youtube.com/watch?v=3nbalsyibKU>

Week 7

Tuesday: Say's Identity (Review)

Readings and Videos Due:

"Of the Demand or Market for Products" by Jean Baptiste Say

"Say's Principle: What it Means and Doesn't" by Axel Leijonhufvud and Robert Clower

Mount Olive College Economist Paul Cwik Explains the Real Meaning of Say's Law:

<https://www.youtube.com/watch?v=q68cbPEQY5I>

Thursday: Midterm

Week 8

Spring Break

Week 9 Banking

Tuesday: Interest Rates

Readings and Videos Due:

"Of the Rate of Interest" by John Stuart Mill

"Interest" by Ludwig von Mises

Interest Rates in Austrian Theory: <https://www.youtube.com/watch?v=17MJzNUj-gY>

Thursday: Banking

Readings and Videos Due:

"The Theory of Banking" by Ralph Hawtrey

"Paper Money and the Quantity Theory" by Ralph Hawtrey

Money and Banking 101: <https://www.youtube.com/watch?v=d5opknlB9XE>

Week 10: Banking: Public and Private

Tuesday: Monetary Policy

Readings Due:

“Appendix 2: Central Banking and Money Creation”

“Monetary Policy” by James Tobin:

<http://www.econlib.org/library/Enc/MonetaryPolicy.html>

“Monopoly Money and Inflation” by Geoffrey Brennan and James Buchanan

Money Supply – M0, M1, and M2: <https://www.youtube.com/watch?v=LPh72gx6GE>

Thursday: Alternative Monetary Arrangements: Theory and History

Readings and Videos Due:

“The Central Bank Role of Clearing Houses” by Richard Timberlake

“The Evolution of a Freebanking System” by Lawrence H. White and George Selgin

What is Free Banking and Why Should I Care?: <https://www.youtube.com/watch?v=IVK-kgSQMPs>

Week 11: Business Cycles

Tuesday: Classical Business Cycle Theories

Readings and Videos Due:

“Business Cycle Theory” by Thomas Cate, et al.

“The Trade Cycle” by Ralph G. Hawtrey

“The Fundamental Causes of Business Fluctuations” by F. A. Hayek

Business Cycles Explained: Austrian Theory: https://www.youtube.com/watch?v=Log_dcRj7HI

Thursday: Modern Business Cycle Theories

Readings and Videos Due:

“Business Cycle Theory” by David W. Findlay

“A Cash Balance Interpretation of Depression” by Leland Yeager

Business Cycles Explained: Monetarist Theory: <https://www.youtube.com/watch?v=SgweT-7i1hU>

Week 12: The Great Depression

Tuesday: World War I and the Roaring Twenties

Readings and Videos Due:

“The Yellow Brick Road to Ruin” by James Caton

“The Post World War I Monetary and Trade Setting” by Thomas Rustici

History of Economic Booms and Busts: <https://www.youtube.com/watch?v=83sX8Ent4vo>

Thursday: The Great Depression

Readings and Videos Due:

“Herbert Hoover: Father of the New Deal” by Steven Horwitz

“Rethinking the Great Depression” by Gene Smiley

“Fear the Boom and Bust”: <https://www.youtube.com/watch?v=d0nERTFo-Sk>

Week 13: The New Deal, World War II, and Keynesian Economics

Tuesday: The New Deal and World War II

Readings and Videos Due:

“New Deal Policies and the Persistence of the Great Depression” by Harold L. Cole and Lee E. Ohanian

“Wartime Prosperity: A Reassessment of the U.S. Economy in the 1940s” by Robert Higgs

“Fight of the Century: Keynes vs Hayek, Round 2”: <https://www.youtube.com/watch?v=GTQnarzmTOc>

Thursday: Keynes

Readings and Videos Due:

“The General Theory of Employment, Interest and Money” by John Maynard Keynes

“Keynes’ Not-So-General Theory” by James Caton

Business Cycles Explained: Keynesian Theory: https://www.youtube.com/watch?v=g_647R_vUVc

Week 14 Modern Macroeconomics

Tuesday: Expectations: Adaptive and Rational

Readings Due:

“The Role of Monetary Policy” by Milton Friedman

“Rational Expectations” by Thomas Sargent

“Expectations and Rationality in Economics”: <https://www.youtube.com/watch?v=PKstzsRFY4Y>

Thursday: Efficient Markets

Readings Due:

“A Random Walk Down Wall Street” by Burton Malkiel

“Eugene F. Fama, Efficient Markets, and the Nobel Prize” by John H. Cochrane

Week 15 Institutions and Growth

Tuesday: Why Some Nations are Rich and Others are Poor

Readings Due:

“So Close and Yet So Different: The Economics of the Rio Grande” by Daron Acemoglu and James A. Robinson

“The Unacknowledged Success of Neoliberalism” by Scott Sumner

Thursday: Economics and Epistemic Humility

Readings Due:

“The Pretense of Knowledge” by F. A. Hayek