

Intermediate Macroeconomics

ECON 311-001

Spring 2022

Instructor: Marcel Dumas Gautreau

Class Setting: 09:00 AM to 10:15 AM MW – Enterprise Hall 274

Office Location: JC 342

Email Address: mgautrea@gmu.edu

Office Hours: 10:30 to 11:45 AM Mondays, Johnson Center 3rd Floor Computer Lab

“Why Do Some Societies Prosper, While Others Remain Stagnant and Poor?”

Course Introduction:

Look at the above question. See how it's big, bold, and italicized? See that font? That's called Goudy Old Style. It's my favorite font. I used my favorite font on this question because it is an Important Question. A Question with a capital Q.

This is not simply a question of Macroeconomics. It is *the* Question.

By the end of this course, my goal is for you to be able to answer this question competently and on demand. I want you all to be proud of your answers. I want you to be carrying your answer to this question in your wallet next to a picture of your baby. I want you all to be exchanging answers to this question like they're business cards from that scene in *American Psycho*.

“I can't believe that Bryce prefers Van Patten's growth model to mine.”

“Look at that subtle, predictable inflation targeting, the tasteful non-neutrality of it. My god, it even has heterogenous capital!”

That question is worth about a quarter of your grade in this course. You'll be answering it half a dozen times. I'll be asking you once in the beginning of class, once with each problem set, once on the midterm, and once on the final.

Along the way, you'll learn a thing or two about aggregate economic accounts, including measuring national income; determinants of levels of income and output; and causes and solutions for problems of unemployment, inflation, and economic growth. Limited to three attempts. Three credit hours.

Textbooks and Readings

Assigned readings will be posted on Blackboard. In addition to these, the following textbook is required.

Mankiw, N. G. (2015). *Macroeconomics* (9th Edition). New York: Worth Publishers.

And the following book is recommended.

Mankiw, N. G. (2019). *Macroeconomics* (10th Edition). New York: Worth Publishers.

Readings are designated “[R]equired” “[S]upplemental”, and “[O]ptional”. Required readings are just that. Supplemental readings are meant to help understand the Required readings but can be skipped if you feel that your understanding of the Required readings is sufficient. Optional readings are relevant to the topic and are generally meant to help you along with your answers to The Question.

Prerequisites and Expectations

ECON 103 and 104 or permission of instructor (that’s me!)

This course does not explicitly require MATH 108 or 113 the way that ECON 306 does, so I will not assume that all of you have taken introductory calculus.

I will assume familiarity with algebra, the ability to solve systems of equations, graph linear and non-linear equations, the ability to shift graphs when the parameters of the equations change, and the ability to provide verbal explanations of mathematical relations.

Grading:

Course grades are based on a midterm exam (20%), a final exam (30%), three problem sets (10% each), and a book review (20%).

“The Question” will make up significant portions of all assignments and examinations, and I will aim to have at least 25% of your grade in this class based on repeatedly answering the same question. By the sixth time you answer, you should have become exceedingly efficient at it.

A+ = 100-97	A = 96-94	A- = 93-90	B+ = 89-87	B = 86-84	B- = 83-80
C+ = 79-77	C = 76-74	C- = 73-70	D+ = 69-67	D = 66-64	D- = 63-60

Anything below a 60, of course, gets you an F.

Exams:

The Midterm Exam will likely consist of 8 True/False + Explain questions, three short answer questions, and The Question.

My make up exam policy is this. If you notify me ahead of time, I will attempt to set-up a make-up exam time some time between the last class before the exam, and the first class after the exam.

If there is no warning, I will allow you to either shift the entire weight of the midterm onto the final, or take the midterm *along with* the final. In the latter case, you will not need to answer The Question twice.

Problem sets:

Problem sets consist of 10 questions each, and each problem set is worth 10% of your grade. With three problem sets, homework is worth 30% of your grade. Problem sets are scored out of 10, and for each day late a problem set is, one point will be subtracted. Once graded problem sets are returned to students, I will not accept late assignments. Problem sets will always be handed out at least two weeks before they are due.

The last question will always be The Question, and I will always do my best to promptly return the problem sets to you with notes, which hopefully you address the next time you are called to answer it.

Attendance and Participation

As all students are legal adults who pay thousands of dollars per semester for the privilege of coming to class and subjecting yourselves to judgements of your abilities by myself and other GMU employees, I do not accord a point value for attendance.

Students are not permitted to disturb the workflow of their classmates or myself. Phones should be kept silent, late students should quickly and quietly move to the nearest available seat, and any questions concerning material missed due to tardiness should be kept for after class.

In sum, I feel entitled to 8 hours a week of your time. Three in class, five out. Why? Full-Time Students average 15 credits. This course is one fifth of that. A full-time job is 40 hours a week. 8 hours is one fifth of that.

Students are required to follow Mason's current policy about facemask-wearing. As of August 11, 2021, all community members are required to wear a facemask in all indoor settings,

including classrooms. An appropriate facemask must cover your nose and mouth at all times in our classroom. If this policy changes, you will be informed; however, students who prefer to wear masks will always be welcome in the classroom.

Class Schedule

Week 1: The Science and Data of Macroeconomics

- [R] Read: Mankiw Ch 1, 2 (42 pgs)
- [R] Read: Robert Higgs, *Wartime Prosperity? A Reassessment of the U.S. Economy in the 1940s* (1992)
- [S] Read: James Buchanan, *What Should Economists Do?* (1964)
- [S] Read: Robert Lucas, *What Economists Do* (2011)

Week 2: National Income

- [R] Read: Mankiw Ch 3 (33 pgs)
- [R] Read: Murray Rothbard, *The Fallacy of the Public Sector* (1961)
- [S] Read: Mack Ott, *National Income Accounts* (EconLib)
- Assigned: Problem Set 1 (Growth Theory)

Week 3: Growth Theory 1- Models

- [R] Read: Mankiw Ch 8-9 (51 pgs)

Week 4: Growth Theory 2- Empirics

- [R] Read: Martin Feldstein and Charles Horioka, *Domestic Saving and International Capital Flows* (1980)
- [R] Read: William J. Baumol, *Productivity Growth, Convergence, and Welfare: What the Long-Run Data Show* (1986)
- [R] Read: Xavier Sala-i-Martin, *I Just Ran Two Million Regressions* (1997)
- [R] Read: Land Pritchett, *Where Has All the Education Gone?* (2001)
- [R] Read: Acemoglu, Johnson, and Robinson, *The Colonial Origins of Comparative Development* (2001)
- [R] Read: Edward L Glaeser, *Do Institutions Cause Growth?* (2004)
- [S] Read: Kevin Grier, *Empirics of Economic Growth* (EconLib)
- Due: Problem Set 1 (Growth Theory)

Week 5: The Monetary System and Inflation

- [R] Read: Mankiw Ch 4, 5 (50 pgs)
- [R] Read: Reuben A. Kessel and Armen A. Alchian, *Effects of Inflation* (1962)

- [S] Read: Lawrence H. White, *Inflation* (EconLib)
- [S] Read: Anna J. Schwartz, *Money Supply* (EconLib)
- [O] Read: Carl Menger, *On The Origins of Money* (1892)
- [O] Read: Richard A. Radford, *The Economic Organization of a POW Camp* (1945)
- Assigned: Problem Set 2 (Microfoundations)

Week 6: The Microeconomic Foundations of Savings and Investment

- [R] Read: Mankiw Ch 16, 17 (52 pgs)
- [R] Read: Ludwig von Mises, *Lord Keynes and Say's Law* (1950)
- [O] Read: Franco Modigliani, *Life Cycle, Individual Thrift, and Wealth of Nations* (1986)

Week 7: Review and Midterms

Week 8: Unemployment and Intro to Business Cycles

- [R] Read: Mankiw Ch 7, 10 (50 pgs)
- [R] Read: Robert E. Lucas Jr., *Understanding Business Cycles* (1976)
- [R] Read: A. W. Phillips, *The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957* (1958)
- [S] Read: Thomas J. Sargent, *Rational Expectations* (EconLib)
- [S] Read: Christina D. Romer, *Business Cycles* (EconLib)
- Due: Problem Set 2 (Microfoundations)

Week 9: Business Cycles- Keynes I

- [R] Read: Mankiw Ch 11, 12 (50 pgs)
- [S] Read: Paul Krugman, *IS-LMentary* (2011)
- [S] Read: Alan S. Blinder, *Keynesian Economics* (EconLib)
- Assigned: Problem Set 3 (Business Cycles)

Week 10: Business Cycles- Keynes II

- [R] Read: Mankiw Ch 14, 15 (62 pgs)
- [S] Read: N. Gregory Mankiw, *New Keynesian Economics* (EconLib)

Week 11: Business Cycles- Monetarist and Real

- [R] Read: Leland B. Yeager, *A Cash Balance Interpretation of Depression* (1956)
- [R] Read: Milton Friedman, *The Role of Monetary Policy* (1968)
- [R] Read: Robert Lucas, *Econometric Policy Evaluation: A Critique* (1976)
- [R] Read: Charles I. Plosser, *Understanding Real Business Cycles* (1989)
- [R] Read: Lawrence H. Summers, *Some Skeptical Observations on Real Business Cycle Theory* (1986)

- [S] Read: Bennet T. McCallum, *Monetarism* (EconLib)
- [S] Read: Kevin D. Hoover, *New Classical Macroeconomics* (EconLib)
- [O] Read: Garrett Jones, *Why Economies Boom* (2012)

Week 12: Business Cycles- Austrian

- [R] Read: Roger W. Garrison, *Time and Money: The Universals of Macroeconomic Theorizing* (1984)
- [R] Read: Roger W. Garrison *The Austrian School: Capital-Based Macroeconomics* (2005)
- [R] Read: Roger W. Garrison, *The Austrian Theory of the Business Cycle in the Light of Modern Macroeconomics* (1989)
- Due: Problem Set 3 (Business Cycles)

Week 13: The Open Economy and Mundell-Fleming

- [R] Read: Mankiw Ch 6, 13 (65 pgs)
- [R] Read: David Hume, *Of the Balance of Trade* (1752)
- [R] Read: Robert E. Lucas Jr., *Why Doesn't Capital Flow from Rich to Poor Countries?* (1990)
- [S] Read: R. A. Mundell, *Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates* (1963)
- [O] Read: Paul Krugman, *O Canada* (1999)

Week 14: Stabilization Policy, Government Debt, or the Financial System

- [R] Read: Mankiw Ch 18, 19, or 20 (20 pgs)
- [S] Read: Mankiw Epilogue

Book Review Assignment

Choose a book on macroeconomic topics that interests you. I recommend several, but you may pick another, subject to my approval. The ensuing review should be from 5 to 10 pages, double spaces, 12 pt font. The book review is due on the last day of class.

The following points should be addressed in the essay:

1. Summarize the book's main arguments. What are they trying to say?
2. What evidence does the author provide for his argument? How does that evidence support their argument?
3. How does, or would, the author answer The Question? The author may not state his answer at any point in the text, but you should be able to infer it from the sorts of arguments they make.

4. Do you agree with the author's arguments? If not, support your objections. If so, come up with a few reasonable objections and defeat them in your own words.
5. Do you agree with the author's answer to The Question? If not, make the case for your own answer. If so, come up with a few reasonable objections and defeat them in your own words.
6. Separate from the question of whether the author's arguments are valid, were those arguments *persuasive* to you? Would they be to others? Why or why not?

Suggested Books:

- William Easterly, *The Elusive Quest for Growth* (2002)
- Hernando De Soto, *The Mystery of Capital* (2003)
- Peter T. Bauer, *From Subsistence to Exchange* (2004)
- Benjamin Powell, *Out of Poverty* (2014)
- Garett Jones, *Hive Mind* (2015)
- Jared Rubin, *Rulers, Religion, Riches* (2017)

Important Dates

Last Day to Drop (100% Refund): 02/07

Last Day to Drop (50% Refund): 02/14

Last Day to take a (ironically named) W: 03/01

More information:

Selective Withdrawal Information, found here <https://registrar.gmu.edu/topics/selective-withdrawal>

Non-academic withdrawal information, <https://chssundergrad.gmu.edu/withdrawal/non-academic>

Honor Code

"To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University community and with the desire for greater academic and personal achievement, we, the student members of the University Community have set forth this: Student members of the George Mason University community pledge not to cheat, plagiarize, steal and/or lie in matters related to academic work."

That's the honor code.

For more information, including definitions of "cheating," "lying," and "plagiarism," visit <http://oai.gmu.edu>

Students with Disabilities:

Disability Services at George Mason University is committed to providing equitable access to learning opportunities for all students by upholding the laws that ensure equal treatment of people with disabilities. If you are seeking accommodations for this class, please first visit <http://ds.gmu.edu/> for detailed information about the Disability Services registration process. Then please discuss your approved accommodations with me. Disability Services is located in Student Union Building I (SUB I), Suite 2500. Email: ods@gmu.edu | Phone: (703) 993-2474

Privacy:

Student privacy is governed by the Family Educational Rights and Privacy Act (FERPA). Your rights under FERPA can be found at <https://registrar.gmu.edu/ferpa/>

Students must use their MasonLive email account to receive important University information, including communications related to this class. I will not respond to messages sent from or send messages to a non-Mason email address.

Sexual Misconduct:

As a faculty member and designated "Responsible Employee," I am required to report all disclosures of sexual assault, interpersonal violence, and stalking to Mason's Title IX Coordinator per university policy 1412. If you wish to speak with someone confidentially, please contact the Student Support and Advocacy Center (703-380-1434) or Counseling and Psychological Services (703-993-2380). You may also seek assistance from Mason's Title IX Coordinator (703-993-8730; titleix@gmu.edu).