

# **ECON 311-004: Intermediate Macroeconomics**

James Buchanan Hall D003; Tuesday and Thursday 3:00 PM – 4:15 PM

Instructor: Matthew A. Owens

Email: [mowens18@gmu.edu](mailto:mowens18@gmu.edu)

Office Location: James Buchanan Hall D134-6

Office Hours: Monday, Tuesday, and Wednesday (12 PM – 2 PM), or by appointment via email.

## **1. Course Description**

This course seeks to explore answers to two fundamental questions in economics. One is provided by Adam Smith, and is a foundational question to economics in general and to macroeconomics in particular. *Why are some nations rich and other nations poor?* Hence, Smith's *magnum opus* was titled, *An Inquiry into the Nature and Causes of the Wealth of Nations*. The second is also important for understanding macroeconomics, and is connected with the first. *What explains fluctuations or changes in economic productivity?* One could look at this question in a variety of ways. Why are there recessions or depressions? What causes unemployment? How does the monetary system work? There exist different schools of economic thought that would answer each of these questions differently. This course will discuss the similarities and differences between each of these schools.

Upon successfully completing this course, you will learn the following: (1) the data and analytical framework that macroeconomists use to study the production and allocation of output in both open and closed economies; (2) the most relevant and important models of economic growth, as well as the most prominent theories explaining economic growth; (3) the most relevant models and theories explaining fluctuations in economic productivity; (4) how to use the aggregate supply and demand model to analyze how the economy adjusts in both the short-run and the long-run under alternative theories of the business cycle; and (5) the alternative perspectives on stabilization policy and government deficits and debt emerging from different theories.

## **2. Prerequisites and Expectations**

The prerequisites for this class are that you have successfully completed ECON 103 (Principles of Microeconomics) and ECON 104 (Principles of Macroeconomics). In addition to an understanding of microeconomic and macroeconomic principles, you are expected to have a basic understanding of algebra and elementary calculus (specifically [derivatives](#)). If you need a refreshing on any of these topics, feel free to review using resources such as Marginal Revolution University or Khan Academy.

I do not expect you to have a specific viewpoint on economics. All viewpoints are welcome, and none are above scrutiny through discussion and debate. However, I do expect that this discussion and debate occurs in a respectful manner. As such, I ask that you refrain from distracting behaviors including, but not limited to, engaging in side conversations, talking over each other, and using electronic devices, such as laptops or phones, for any activity not related to class. Such behavior is disrespectful to me, and to your fellow classmates. Thus, computer devices are only permitted for purposes that help you learn the material discussed in this class, such as taking notes or

researching content related to this class. Further, please place your phone on “Do Not Disturb” before entering the classroom, as to not provide any distractions for your classmates. In addition, for the sake of the privacy of myself and the students, ***I do NOT allow recordings of the class.*** An **exception** would require ***an accommodation from Disability Services***, as detailed in the related section below.

Regular attendance is also an important factor in successfully completing this course. This is for a variety of reasons, of which I will provide three. First, much of the material you will be tested on in the midterm and final exams will be that discussed in the lectures. Second, attendance is required in order to complete the quizzes, as discussed in greater detail below. Third, attendance gives you the opportunity to learn from me and from your fellow students. As such, while it is your decision whether to attend this course on a regular basis or not, I would highly recommend regular in-person attendance.

### 3. Reading Materials

This course will primarily rely on two textbooks, which are the following:

- ***Macroeconomics* (11<sup>th</sup> edition) by N. G. Mankiw (REQUIRED)**

You’re expected to buy this textbook, either through the GMU bookstore or some other means. I’ll be using the eleventh edition for the content of this course, but it is perfectly acceptable to use an earlier edition. However, if you do use an earlier edition, *read the chapter that consists the content we will be going through each day.*

- ***Modern Macroeconomics: Its Origins, Development, and Current State* by Brian Snowdon and Howard Vane (HIGHLY RECOMMENDED; REQUIRED IN SOME SECTIONS)**

You’re *not expected* to buy this book, as I will provide PDFs of selected chapters for each lesson, regardless of whether the chapter is required reading or not. Still, this textbook still provides an excellent and detailed summary of different schools of macroeconomic thought, and shall be used primarily to summarize each macroeconomic school of thought.

In addition, there are several recommended scholarly articles from academic journals (as indicated by being emboldened), as well as other recommended readings such as readings from the [\*Concise Encyclopedia of Economics\*](#) and the *Elgar Companion to Austrian Economics* by Peter J. Boettke, available on the syllabus and on Blackboard. While these articles are not required for you to read, they are still beneficial to read for a greater understanding of the concepts and ideas discussed in the course. Additionally, most extra credit quiz questions will be from scholarly articles.

### 4. Grading and Evaluation

#### Grade Scale:

This class will operate on the following grade scale. Except for those receiving a percentage score below 60%, percentages will be graded by rounding up to the nearest whole number.

Grade	Range	GPA
A+	100-97	4.0
A	96-93	4.0
A-	92-90	3.7
B+	89-87	3.3
B	86-83	3.0
B-	82-80	2.7
C+	79-77	2.3
C	76-73	2.0
C-	72-70	1.7
D	69-60	1.0
F	60 >	0.0

### Grading in Detail:

- **Recommended Reading Reflections (10%; 2% per reflection):**
  - Throughout the course, I provide recommended scholarly articles (i.e., emboldened recommended readings) that discuss the topics we discuss in class in greater detail. You are to write reflections on **five** of these articles throughout the semester that:
    - (1) summarizes the main points of the article (NOT just copying the abstract)
    - (2) explains how the reading is related to what we discuss in this class, and/or what you have learned or are learning in other classes
    - (3) provides your own personal reflection as to how this reading has improved or changed your understanding on the topic that the reading discusses.
  - For each reflection, students are expected to write a *minimum* of two *full* pages (WITH in-text and bibliography citations; Times New Roman, 12 pt. font, double-spaced, 1-inch margins) that fulfills each of the requirements above.
  - Students are required to write **five** of these reflections over the course of the semester (at least 2 are due by the *midterm exam review* (**Feb 27 @ 11:59 PM**), and the rest are due by the time of the *final exam review* (**Apr 25 @ 11:59 PM**). As such, it is *highly recommended* that you do not wait until the last minute to complete these reflections.
- **Weekly Quizzes (10%):**
  - On Friday afternoon, I will make a weekly quiz available in the **Quizzes** section on Blackboard. It will consist of *six multiple choice* questions (five covering material from the textbook and lectures, and one *extra credit* question covering recommended material [ex: the scholarly journal articles]).
    - As each multiple choice question is either correct or incorrect, you can get a maximum score of **6** points out of **5** for each weekly quiz.
    - You will have *one* attempt to complete the quiz by the following **Monday at 11:59 PM**. It is also expected that you do this quiz without any notes, textbook, or help from any other person.
  - In addition, I will also provide quizzes at the end of class at my discretion. These quizzes will cover the material discussed during that lecture, and attendance is mandatory for the quiz to be completed.
    - These quizzes will be graded with either a check (100%; *satisfactory answer*), a check with a minus sign (50%; *partially satisfactory answer*), or an X (0%; *not satisfactory answer*).
  - There is no make-up policy for either quiz type (i.e., any online quiz responded to after the deadline will receive a 0, and you must be in class to attend complete in-person quizzes). However, I will drop the **two** lowest quiz grades.
- **Problem Sets (20%; 5% per problem set):**

- Four problem sets will be assigned throughout the course, corresponding with each of the modules. Each will consist of multiple short-answer questions: each question consisting of multiple parts that are to be completed with complete sentences.
- I will make each problem set available at least one week before the end of each module, and you will have until the due date for each problem set as seen below to complete and turn in the problem set on **Blackboard** in the **Problem Sets** tab.
- Any problem set turned in one week after the official due date will receive a 10% penalty, and any problem set turned in after that grace period will not be accepted and will receive an automatic 0%.
- **Midterm (25%) and Final Exam (35%):**
  - The midterm exam will occur on **FEBRUARY 29 (3:00-4:15 PM)** and the *cumulative* final exam will occur on **MAY 2 (1:30-4:15 PM)**.
  - Both exams are closed-note and closed-book, consisting of both *multiple-choice* and *short-answer* questions. You are prohibited from using any cellphones, tablets, computers, or any other mobile device during the exam. However, you will be allowed to use a calculator.
  - I will require that **anyone who wants to leave the room before turning in the exam will be required to hand in his/her phone to me beforehand.**
  - There will be **no make-up policy** for either exam, save for extreme circumstances (such as a death of a loved one or a severe illness) approved of at **my discretion**. According to university policy, you are allowed to reschedule the final if you have three or more final exams on the same day, but to reschedule, you must contact me at least **one week** prior to the final exam.
  - If you cannot attend the midterm exam on the assigned date, you will be allowed to shift the grade to the final exam (which will be worth 60% of your final grade), and you will be given a different exam that places more weight on material tested on the midterm exam. Otherwise, you are expected to attend and to take the midterm on the assigned day.
- Opportunities<sup>1</sup> for extra credit could be provided, at my discretion, throughout this class.

In addition, while in-class participation is not required, participation both in class and out of class (ex: asking questions; making points; sending me emails; collaborating with classmates) is highly recommended as a means of learning the course material.

## 5. Tentative Course Schedule

The following is the expected course schedule for this class. However, I reserve the right to make changes or to add required readings according to my own discretion.

### Module 1: Foundations of Macroeconomic Theory

Date	Topic	Required Reading	Recommended Reading
Jan. 16 (T)	Intro to ECON 311	ECON 311 Syllabus	
Jan 18 (R)	The Science of Macroeconomics	Mankiw: Chapter 1	Snowdon and Vane: Chapter 1 Lucas (2011) " <a href="#">What Economists Do</a> "
Jan 23 (T)	The Data of Macroeconomics	Mankiw: Chapter 2	Higgs (1992) " <a href="#">Wartime Prosperity? A Reassessment of the U.S. Economy in the 1940s</a> "

<sup>1</sup> Another extra credit opportunity: One percentage point of extra credit will be given to any student who sends me their best economics meme by Saturday, January 20 at 11:59 PM.

Jan 25 (R)	National Income	Mankiw: Chapter 3	Ott (2018) " <a href="#">National Income Accounts</a> "
Jan 30 (T)	Microfoundations of Consumption	Mankiw: Chapter 20	<b>Modigliani (1986) "<a href="#">Life Cycle, Individual Thrift, and the Wealth of Nations</a>"</b>
Feb 1 (R)	Microfoundations of Investment	Mankiw: Chapter 20	<b>Summers et. al. (1981) "<a href="#">Taxation and Corporate Investment: A q-Theory Approach</a>"</b> <b>Higgs (1997) "<a href="#">Regime Uncertainty</a>"</b> Hassett (2018) " <a href="#">Investment</a> "
Feb 6 (T)	The Monetary System	Mankiw: Chapter 4	<b>Radford (1945) "<a href="#">The Economic Organisation of a P.O.W. Camp</a>"</b> Schwartz (2018) " <a href="#">Money Supply</a> "
Feb 8 (R)	Inflation	Mankiw: Chapter 5	<b>Kessel and Alchian (1962) "<a href="#">Effects of Inflation</a>"</b> Horwitz in Boettke (1994) "Inflation" White (2018) " <a href="#">Inflation</a> "
Feb 13 (T)	Unemployment in the Labor Market	Mankiw: Chapter 7	<b>Alchian (1969) "Information Costs, Pricing, and Resource Unemployment"</b>
<b>Problem Set #1 DUE FEBRUARY 20 @ 11:59 PM</b> (Grace Period until February 27)			

## Module #2: Economic Growth

Date	Topic	Required Reading	Recommended Reading
Feb 15 (R)	The Solow Model	Mankiw: Chapter 8	Snowdon and Vane: Chapter 11 <b>Boettke and Coyne (2022) "<a href="#">The Economic Logic Behind the Ultimate Resource</a>"</b>
Feb 20 (T)	The Endogenous Growth Model	Mankiw: Chapter 9	Snowdon and Vane: Chapter 11 <b>Holcombe (2020) "<a href="#">Creative Destruction: Getting Ahead and Staying Ahead in a Capitalist Economy</a>"</b>
Feb 22 (R)	Institutions and Economic Development	Acemoglu, Johnson, and Robinson (2001) " <a href="#">The Colonial Origins of Comparative Development</a> "  Glaeser et. al. (2004) " <a href="#">Do Institutions Cause Growth?</a> "	<b>Demsetz (1967) "<a href="#">Towards a Theory of Property Rights</a>"</b> <b>North and Weingast (1989) "<a href="#">Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England</a>"</b> North (1991) " <a href="#">Institutions</a> " <b>Boettke, Coyne, and Leeson (2008) "<a href="#">Institutional Stickiness and the New Development Economics</a>"</b>
<b>Midterm Exam Review: February 27, 2024</b> (at least <i>two reflections</i> due by 11:59 PM) <b>MIDTERM EXAM (FEBRUARY 29, 2024; 3:00 PM – 4:15 PM)</b> <b>Problem Set #2 DUE MARCH 2 @ 11:59 PM</b> (Grace Period until March 9)			

## Module 3: Business Cycles and the Orthodox Keynesian School

Date	Topic	Required Reading	Recommended Reading
Mar 12 (T)	Introduction to Business Cycles	Mankiw: Chapter 11	Snowdon and Vane: Chapter 2

			<b>Lucas (1977) “<a href="#">Understanding Business Cycles</a>”</b> Romer (2018) “ <a href="#">Business Cycles</a> ”
Mar 14 (R)	Aggregate Demand I: Building the IS-LM Model	Mankiw: Chapter 12	Snowdon and Vane: Chapter 3 Blinder (2018) “ <a href="#">Keynesian Economics</a> ”
Mar 19 (T)	Aggregate Demand II: Applying the IS-LM Model	Mankiw: Chapter 13	Snowdon and Vane: Chapter 3 <b>A.W. Phillips (1958), “<a href="#">The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957</a>”</b> Keenan in Boettke (1994), “The New Keynesian Economics” Garrison (2014) “ <a href="#">Hayek and Keynes: Head to Head</a> ” Mankiw (2018) “ <a href="#">New Keynesian Economics</a> ”
Mar 21 (R)	The Open Economy	Mankiw: Chapter 6	
Mar 26 (T)	The Mundell-Fleming Model	Mankiw: Chapter 14	Snowdon and Vane: Chapter 3 <b>Mundell (1963), “<a href="#">Capital Mobility and Stabilization Policy under Fixed and Floating Exchange Rates</a>”</b>
<b>Problem Set #3 DUE APRIL 2 @ 11:59 PM</b> (Grace Period until April 9)			

## Module 4: Alternative Schools of Macroeconomic Thought

Date	Topic	Required Reading	Recommended Reading
Mar 28 (R)	The Orthodox Monetary School	Snowdon and Vane: Chapter 4 McCallum (2018) “ <a href="#">Monetarism</a> ”	<b>Yeager (1956) “<a href="#">A Cash-Balance Interpretation of Depression</a>”</b> <b>Friedman (1968) “<a href="#">The Role of Monetary Policy</a>”</b> Egger in Boettke (1994) “Monetarism” Garrison (2016) “ <a href="#">Hayek and Friedman: Head to Head</a> ”
Apr 2 (T)	The New Classical School	Snowdon and Vane: Chapter 5 Hoover (2018) “ <a href="#">New Classical Economics</a> ”	<b>Lucas (1976) “<a href="#">Econometric Policy Evaluation: A Critique</a>”</b> <b>Barro (1979) “<a href="#">Second Thoughts on Keynesian Economics</a>”</b> <b>Barro (1989) “<a href="#">New Classicals and Keynesians</a>”</b> Hoover in Boettke (1994) “The New Classical Economics”
Apr 4 (R)	The Real Business Cycle Theory	Snowdon and Vane: Chapter 6	<b>Plosser (1989) “<a href="#">Understanding Real Business Cycles</a>”</b>
Apr 9 (T)	<b>CLASS CANCELLED</b>		

Apr 11 (R)	The Austrian Capital Theory	Snowdon and Vane: Chapter 9, Sections 1-4 Boettke (2018) “ <a href="#">Austrian School of Economics</a> ” Leonard Reed, <a href="#">I, Pencil</a> .	Mises (1920) “ <a href="#">Economic Calculation in the Socialist Commonwealth</a> ” Hayek (1945) “ <a href="#">The Use of Knowledge in Society</a> ” Wagner (2012) “ <a href="#">Viennese Kaleidics</a> ” Lewin in Boettke (1994) “Capital Theory” Shawn Ritenour (2023) “ <a href="#">Austrian Capital Theory</a> ”
Apr 16 (T)	The Austrian Business Cycle Theory	Snowdon and Vane: Chapter 9, Sections 5-13	Garrison in Rothbard (1989) “ <a href="#">The Austrian Theory of Business Cycles in the Light of Modern Macroeconomics</a> ” Mulligan (2006) “ <a href="#">An Empirical Examination of Austrian Business Cycle Theory</a> ” Batemarco in Boettke (1994) “Austrian Business Cycle Theory” Butos in Boettke (1994) “The Hayek-Keynes Macro Debate” Garrison (2013) “ <a href="#">The Austrian Theory of the Business Cycle</a> ”
Apr 18 (R)	Alternative Perspectives of Stabilization Theory	Mankiw: Chapter 17	Snowdon and Vane: Chapter 10 Kydlund and Prescott (1977) “ <a href="#">Rules Rather than Discretion: The Inconsistency of Optimal Plans</a> ” Alesina and Summers (1993) “ <a href="#">Central Bank Independence and Macroeconomic Performance</a> ” Bernanke and Mishkin (1997) “ <a href="#">Inflation Targeting: A New Framework for Monetary Policy?</a> ” Abrams (2006) “ <a href="#">How Richard Nixon Pressured Arthur Burns</a> ” Hogan (2022) “ <a href="#">The Calculus of Dissent: Bias and Diversity in FOMC Projections</a> ” Wagner in Boettke (1994), “Political Business Cycles”
Apr 23 (T)	Government Debts and Budget Deficits	Mankiw: Chapter 18	Snowdon and Vane: Chapter 10 Newman (2020) “ <a href="#">Modern Monetary Theory: An Austrian Interpretation of Recrudescent Keynesianism</a> ” Seater (2018) “ <a href="#">Government Debts and Deficits</a> ”
<p><b>Final Exam Review: April 25, 2024</b> (all <i>five reflections</i> due at 11:59 PM)  <b>Problem Set #4 DUE APRIL 25 @ 11:59 PM</b> (Grace Period until May 2)  <b>FINAL EXAM (MAY 2, 2024; 1:30 PM – 4:15 PM)</b></p>			



## 6. Additional Information

### Important Dates:

Important dates include the following:

- **January 23** (Last day to add classes)
- **January 30** (Last day to drop with full tuition refund)
- **February 6** (Last day to drop with 50% tuition refund)

### Communication:

If there are any announcements, changes to the class schedule or any assigned readings, and any reminders of upcoming exam dates or due assignments, I will email students according to their *GMU email address*. If you wish to contact me, please do so using your GMU email address, as I will not respond to any messages from, or send messages to, any email that is not a GMU address.

In addition, I will respond to emails within 24 hours of the email being sent. The only continuous exception is that I will not respond to any emails sent on Sunday (i.e., an email sent Saturday night would likely not be responded to until Monday morning).

### The Honor Code:

The George Mason University Honor Code is as follows:

*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 for this Honor Code: Student Members of the George Mason University community pledge not to cheat, plagiarize, steal, or lie in matters related to academic work.*

I expect each of you to abide by this code. Any student suspected of any violation will be reported to the Office of Academic Integrity.

### Disability Accommodation and Services:

If you are seeking accommodations for this course, you need to be registered with George Mason University's [Disability Services](#) (located in Student Union Building I [SUB I], Suite 2500; (703)-993-2474). Also, please discuss the details of your approved accommodations with me as soon as possible. Letting me know of the specifics within the first week of classes is especially appreciated.

### An Addendum on ChatGPT:

Artificial intelligence chatbots (such as ChatGPT) are extremely innovative tools that are useful for many things, and could be useful for researching, writing, and the development of ideas. Still, I would recommend [caution](#) with using such tools. I cannot stop you from using ChatGPT for any of the assignments that are not done in person to simply copy and paste its answers instead of thinking the answer through by yourself, but I am confident that using so regularly would not lead to beneficial results, either in the short-run regarding taking this class, or in the long-run regarding your career as a student and a life-long learner in general.