

ECO 720 - Macroeconomics - Spring 2021

Thursdays 6pm - 8pm (section 1), 8pm - 10pm (section 2)

Online class

Professor J. W. Mason

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Office hours: Tuesdays 11am - 1pm, and by appointment

Course description: Macroeconomics is the study of the economy as a whole, as distinct from the behavior of individual households, businesses and markets. Macroeconomics encompasses a broad set of historical and policy questions about national economies, a system of accounting for aggregates describing the economy as a whole, and a body of theory for explaining the behavior of those aggregates. Macroeconomics is concerned with questions such as: How do we measure quantities and prices at the level of the entire economy? Why do output and employment vary from year to year? Why does economic growth so often involve booms, crises and depressions rather than a steady rise in living standards? Why do people with the capacity and willingness to work remain unemployed? What is the relationship of money and finance with the “real” activity of production and consumption? Why is the distribution of income so unequal, and how has it changed over time? Why are prices subject to periods of inflation and deflation, and why does this matter? Why are manias, panics, bubbles and crashes so common in financial markets? Why are some countries rich, while others are poor? Why do some countries consistently sell more than they buy from the rest of the world, while other countries buy more than they sell and must borrow abroad? By its nature, macroeconomics is policy-oriented: Its origins and much of its development have been as a tool to assist public officials in shaping economic outcomes.

This is a course in practical macroeconomics. The goal is to give students the tools, vocabulary and concepts to participate in discussions of macroeconomic policy and concrete developments in real economies. The primary focus will be on building up the core concepts used in public discussions of the economy. For this reason, the course is organized around the main aggregates used to describe the economy (GDP, unemployment, the price level, etc.) and the causal links between them. A secondary goal is to introduce some of the various bodies of theory, heterodox as well as mainstream, that have been used to understand the economy. Formal macroeconomic models will sometimes be discussed, but they are not the main focus. The course is designed mainly for people who need an understanding of the economy for work in journalism, policy, political advocacy or similar professional settings; it is not designed as preparation for PhD level work in economics, though students who do pursue further graduate work in economics should find it useful. The course does not assume any prior background in economics.

The course is organized topically, building up a picture of the economy piece by piece. The focus is on developed countries, primarily the United States. Readings are divided approximately equally between foundational readings introducing the core concepts, mostly from intermediate undergraduate textbook chapters; and discussion readings related to current debates in macroeconomic policy and theory. Most week’s readings will include a mix of the two. Assignments will draw mostly on the former, while more time in class meetings will be

spent on the latter.

Format. The course is fully online. One or more video lectures will be distributed each week, which students are expected to watch prior to that week's meeting. Lecture notes will also be distributed. There will be two hour synchronous meetings, at the posted times. Class meetings will be primarily spent on discussion of the previous week's assignment and the discussion readings. One or more students will be assigned to lead the discussion of each reading. Class meetings will be recorded and the recordings will be distributed to students afterward.

Learning outcomes: The primary goal of this course is to help students become active participants in policy debates. Students who successfully complete this course will learn: to use concepts and vocabulary describing the economy as a whole; to think logically and systematically about the relationships between parts of a complex system; to "translate" between verbal statements and mathematical representations; to use formal reasoning to address questions about economic outcomes and policy; to work with basic macroeconomic data; and about the main divisions and sources of controversy in macroeconomic policy. They will also get an introduction to various schools of macroeconomic thought, allowing them to continue studying alternative traditions in economics in future classes or on their own. Throughout the semester, we will work to link macroeconomic concepts and theories to current policy debates. Students will practice discussing complex macroeconomic ideas and spelling out the logic of economic arguments, as preparation for policy discussions in government, advocacy, media or business settings.

Grading:

Grades will be calculated as follows:

Assignments: 70%

Final exam: 25%

Class participation: 5%

Grades will be assigned on a curve such that any student who completes the bulk of the coursework and demonstrates a good-faith effort to master the material will receive a grade of B or above.

Attendance. All class meetings will be held via Zoom. Students are expected to attend class regularly, and to be active participants in class discussions. A few absences over the course of the semester will not reduce your grade, but it is your responsibility to inform yourself about the material covered on any days that you miss.

Assignments. There will be approximately 10 homework assignments over the course of the semester. These assignments will include a mix of working macroeconomic data; problem-solving using formal models; application of concepts to concrete questions; and written analyses of the readings. All assignments must be submitted via the class website. Because we will be discussing the assignments in class, they cannot be accepted after the class meeting when they are due.

Exams. There will be one final exam. The exam will be some mix of problems similar to

those on the assignments, and essays based on the readings.

No extra credit is available.

Academic honesty. Discussion and collaboration between students outside of class is encouraged, but all work submitted must be in your own. In addition, students should be aware of John Jay's policy on academic honesty, available online at http://www.jjay.cuny.edu/web_images/Policyand_Procedures.pdf. The use of any unattributed text from an online source, even a single sentence, is considered plagiarism, and will result in a zero for the assignment.

Readings. All required and optional readings will be distributed electronically. Students are encouraged, but not required, to purchase the Blanchard textbook. Required readings are listed on this syllabus, but are subject to change over the semester. Supplemental reading lists will be distributed periodically over the course of the semester. Students are expected to do all the required readings prior to the class for which they are assigned. Assignments and the final exam are based on the assumption that students have done the assigned reading. Lecture notes will also be distributed periodically, covering both the topics discussed in the class and background material for upcoming topics.

Students should have the day's readings easily accessible to them during .

Office hours. Regular office hours are every Tuesday from 11am to 1pm. A Zoom link will be provided and the instructor will be available for unscheduled meetings during those hours. If the volume of meetings is heavy, or if you have a conflict during those hours, meetings at other times may be scheduled.

Email. Changes to readings, course meeting times, and other important course updates will be announced by email. Articles and news stories relevant to the class will be distributed as well. It is your responsibility to provide a working email address that to check it regularly. Emails from students will be replied to within 24 hours.

Course outline and required readings. Required readings will total approximately 100 pages per week. Students are expected to have done all reading prior to the class it is assigned for. All readings will be available on the course website.

The main textbook for the class is Blanchard, *Macroeconomics*, 8th edition. We will also be reading excerpts from Snowdon and Vane, *Modern Macroeconomics: Its Origins, Development and Current State*, and from a number of other books as listed below. While students are not required to purchase any books, purchasing the Blanchard textbook is strongly recommended. The Snowdon and Vane book is also worth purchasing if you can locate a reasonably priced copy.

All the listed readings are required. The schedule and readings *will* change over the semester; all changes will be announced via email at least one week in advance. Additional lists of supplemental readings will be distributed over the course of the semester. These additional readings are optional.

Blanchard refers to *Macroeconomics, 8th Edition*. Snowdon and Vane refers to *Modern Macroeconomics: Its Origins, History and Current State*.

February 4 **Overview:What Are the Questions?**

Mason 2020, “Macroeconomic Lessons of the Past Decade”

Mason 2019, “Pulling Rabbits out of Hats”

Output

Blanchard 2.1, 3.1 and 3.2

BEA, “Measuring the Economy: A Primer on the National Income and Product Accounts’,’ p. 1-6

Coyle, *GDP: A Brief but Affectionate History*, ch 1

Feb. 11 **Keynesian and Classical Models**

Snowdon and Vane, ch. 2

John Maynard Keynes

Heilbroner, *The Worldly Philosophers*, ch 9

Henwood, *Wall Street*, p 187-217

Mongioli 2020, “Was Keynes a Socialist?”

Feb. 18 **Aggregate Demand and the Multiplier**

Snowdon and Vane, ch. 3

Blanchard 3.3 - 3.5, ch. 4

Keynes, *General Theory*, ch 8.3, 9, 10.1-3, 12, 17, 18, 21.1-5,7

Feb. 25 **Unemployment and Wages**

Blanchard, ch. 7

BLS, “How the Government Measures Unemployment”

Reich 2013, “The Rising Strength of Management, High Unemployment and Slow Growth: Revisiting Okun’s Law”

Kalecki, “Political Consequences of Full Employment”

Bivens and Zipperer 2018, “The importance of locking in full employment for the long haul”

Dube 2019, “Impacts of minimum wages: review of the international evidence” (ch. 3 and 4 only)

- March 4 **Inflation**
Blanchard ch 8
Blanchard 2016, “The US Phillips Curve: Back to the 1960s?”
Minutes of the Meeting of the Federal Open Market Committee July 2-3, 1996, p. 42-68
Keynes 1921, “Social Consequences of a Change in the Value of Money”
Leijonhufvud 1975, “Costs and Consequences of Inflation”
- March 11 **Central Banks and Monetary Policy**
Blanchard, ch. 5
Bank of England 2014, “Money creation in the modern economy”
Bernanke and Gertler 1995, “Inside the Black Box: The Credit Channel of Monetary Policy Transmission”
Konczal and Mason 2017, “A New Direction for the Federal Reserve: Expanding the Monetary Policy Toolkit”
Bibow 2010, “A Post Keynesian Perspective on the Rise of Central Bank Independence”
- March 18 **Asset Markets and Finance**
Blanchard ch 14
Minsky, *John Maynard Keynes*, ch 4-6
Minsky, *Stabilizing an Unstable Economy*, ch 8-9
- March 25 **Fiscal Policy and Government Debt**
- April 8 **The Supply Side**
- April 15 **Economic Growth**
- April 22 **Profits, Accumulation and Crises**
- April 29 **International Trade and the Balance of Payments**
- May 6 **Exchange Rates**
- May 13 **Open-Economy Macroeconomics**