Office: MBEB 3220  
Office Hours: MW 1:30 – 2:45 pm,  
TuTh 12 noon – 1:15 pm  
or by appointment

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PREREQUISITES
Principles of Macroeconomics (ECON 201)

Admission to COBE or B.A. Economics Major or Social Studies, Secondary Education Emphasis Major or Economics, Social Science, Secondary Education Minor

TEXT AND STUDY MATERIALS
The required texts for this course are:

Modern Macroeconomics: Its Origins, Development and Current State, by Brian Snowdon and Howard R. Vane  
Macroeconomic Theory and Its Failings, edited by Steven Kates

Additional readings will be assigned during the course and either distributed as handouts or available for download from the course webpage. Some readings are noted in the course outline.

Powerpoint slides for some lectures will also be accessible on the net, after they have been presented in class, through the course webpage. The course webpage will also link other aids for learning. Please note that I do not use Blackboard.

COURSE OBJECTIVE AND OVERVIEW
The primary objective of this course is to extend the student’s understanding of the economic analysis of the “macroeconomy.” Building upon the basic knowledge from a Principles of Macroeconomics course, this course seeks to introduce students to the several competing schools of macroeconomic theory. This knowledge is then used as a basis for confronting the economic causes and consequences of “The Great Recession” of 2008 to present.

We begin with a consideration of the stylized facts of macroeconomics, concentrating on the Great Depression and the current economic environment, and an overview of the key issues in macroeconomics. Upon this background, we consider the explanations that have been offered in explanation of the stylized facts. Beginning with coverage of the “Classical School” with its concentration on long-run economic growth, the course covers the historical development of modern macroeconomics.
Modern macroeconomics derives from Keynes and the Orthodox Keynesian School, the Orthodox Monetarist challenge to Keynesianism resulting in the “Neoclassical Synthesis,” and the more recent challenges of the New Classical School, Real Business Cycle School, and New Keynesians. The heterodox views of the Post-Keynesian and Austrian schools will also be covered.

THE POSITIVE BIAS OF ECONOMICS

Paul Heyne, in his introductory text Microeconomics, notes that “the economic way of thinking is a biased perspective. It does not offer an unprejudiced view of society, in which all the facts are presented and all interests are given the same weight.” Everyone engaged in the search for knowledge of any kind necessarily begins with preconceptions of what is important and what is not, what is true and what is not, and what is useful and what is not. To the extent a student comes to understand economics, he will become biased in the same way as other economists and will look at the world in a way much different from non-economists. We should note that non-economists are also biased in their understanding of economics, and in this course the student will learn how such biases lead to errors in analyzing economic activity. This does not mean that any two economists will completely agree on “how the economy works.”

NORMATIVE BIAS AND ECONOMIC POLICY

Much of modern economics is a consideration of what government “ought to do,” if anything, in achieving widely accepted economic goals. The question of one’s support for a particular government action will, of course, depend upon one’s preferences and interests, as well as one’s understanding of how the economy works. But beyond that, one’s basic ethical and political views will come into play. It should be of no surprise, then, that it is possible that even if two economists had identical views of the workings of the economy, they might disagree on the propriety of a particular government action.

INSTRUCTOR EXPECTATIONS OF STUDENTS

Students are expected to come to class having read the appropriate readings prior to lecture and discussion. Most classes will begin with the interrogatory: “Are there any questions?” This is the student’s opportunity to ask questions over material previously covered or to raise questions about the material under current discussion, the nature of economics, or other matters related to economic learning. Reviewing the Sample Questions (see next section) prior to class will aid your understanding of readings, lectures, and discussions. Students are expected to be prepared to discuss sample questions in class.

Students are expected to conduct themselves in a manner amenable to the learning process, treating one another with respect. Students are encouraged to form study groups among themselves, assist one another in mastering material, and provide one another with missed notes. If, due to time constraints, we don’t cover some assigned readings in class, that doesn’t mean that you are necessarily excused from knowing the material. The general rule is: if a reading is assigned, you are responsible for it.
Please read the handout on Classroom Conduct and Expectations that appears on the course website.

SAMPLE QUESTIONS
Prior to each section, a set of sample questions will be handed out. The sample questions represent the knowledge and information students are expected to master from that section of material. All quiz and Final Exam questions are based on the material from sample questions. Actual quiz/Exam questions may be altered versions, combinations, or variants of the sample questions.

GRADING
The final course grade will be based upon class participation, twelve of fourteen scheduled take-home quizzes, twelve of fourteen scheduled abstracts on outside reading assignments, two papers, and a Comprehensive Final Exam:

(1) class participation is worth 150 points;
(2) twelve article summaries are worth 300 points;
(3) two papers are worth 150 points;
(4) twelve take home quizzes are worth 600 points; and
(5) final exam is worth 300 points.

Total graded points are 1500. The following grading scale will be used:

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<tr>
<th>Grade</th>
<th>Points</th>
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<tr>
<td>A+</td>
<td>1448 – 1500</td>
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<tr>
<td>A</td>
<td>1343 – 1447</td>
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<tr>
<td>B+</td>
<td>1298 – 1342</td>
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<tr>
<td>B</td>
<td>1193 – 1297</td>
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<tr>
<td>C+</td>
<td>1148 – 1192</td>
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<tr>
<td>C</td>
<td>1043 – 1147</td>
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<tr>
<td>D</td>
<td>893 – 1042</td>
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<tr>
<td>F</td>
<td>0 – 892</td>
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CLASS PARTICIPATION
The class participation grade (150 points) will be based upon participation in classroom discussions and responsiveness to questions. The guideline I use is “How to Get an A on Class Participation,” written by two former BSU Economics professors – Pete Lichtenstein and Larry Reynolds.

ARTICLE SUMMARIES OF OUTSIDE READING
Students will be assigned a specific outside reading on each Tuesday the class meets, beginning January 22 and concluding April 30. The reading will either be linked online or handed out in class. An abstract of the reading will be due the following Thursday, beginning January 24 and concluding May 2. Each summary will be worth 25 points. Fourteen readings will be assigned. The twelve highest scores will be used to help determine the student's grade in the class.

The summary is to be handed in as a hard-copy and submitted as a word file, mailed to the instructor’s email address. Each summary is to be single-spaced, typed, and in font size no larger than 12. Margins should be 1” on top, bottom, and both sides. The top of
the first page should include your name and the title question; ideally, the summary should be no longer than one page, and certainly never longer than two pages.

PAPERS
There are two required connected papers for the course. The first paper is worth 50 points, and the second paper is worth 100 points. You may either do Option A or Option B for this grading requirement. Option A consists of two papers related to a particular economist. Option B consists of two papers related to a particular topic.

Option A: The first paper is to be a biography of a 20th-century economist who made a substantial contribution to the development of macroeconomic theory. Any of economists considered in our text will meet this requirement. The biography should include such pertinent information as birth date and place, academic history and honors, policy positions held (if any), major papers and contributions. The second paper is a continuation of the first. This paper is to specifically address the major ideational contribution(s) of the economist to macroeconomic theory; trace these contributions to forerunners and followers (Whose work was built upon? Who took up and developed the contribution(s) further?); and, to place the contribution(s) within the context of the history of the development of macroeconomic theory.

Option B: The first paper is to be a statement of an issue or topic that will be investigated with a bibliography of journal articles. Issues or topics suitable for this paper must be approved by the instructor (examples, however, are free banking, operation of the gold standard, alternative rules for monetary or fiscal policy, etc.) Basically any issue in macroeconomic theory, policy or history is suitable, provided that we are not already covering it in some depth within the course. The second paper is a continuation of the first, and is an investigation of the literature provided in the bibliography of the first paper.

The first paper is to be single-spaced, typed, and in font size no larger than 12. Margins should be 1" on top, bottom, and both sides. The top of the first page should include your name and name of the economist; ideally, the biography should be no longer than one-page. It is to be submitted as a hard copy and as a word file, mailed to the instructor's email address. The paper is due February 19.

The second paper is to be double-spaced, typed, and in font size no larger than 12. Margins should be 1" on top, bottom, and both sides. This paper should have a cover page indicating your name and the title, an end-note page, and a bibliography page; the paper should be eight to ten pages in length (excluding title, end-note and bibliography). It is to be submitted as a hard copy and as a word file, mailed to the instructor's email address. The paper is due May 7.

TAKE-HOME QUIZZES
I have found in teaching this course that frequent testing of knowledge is necessary to master the material. Each Thursday, beginning January 24 and concluding May 2, a take-home exam worth 50 points will be assigned, due the following Tuesday the
class meets, beginning January 29 and concluding May 7. Each take-home quiz will consist of short-answer questions over material covered that week. Fourteen take-home quizzes will be assigned. The twelve highest scores will be used to help determine the student’s grade in the class.

COMPREHENSIVE FINAL EXAM
The final exam will be given during the final exam period, Tuesday, May 14, 2:30 – 4:30 pm. The final is comprehensive and will cover the entirety of the course. The final exam is worth 300 points (approximately 35% of the final grade).

MAKE-UP POLICY
Since most of the assignments may be turned in electronically, only in cases of extended illness will make-ups be possible for those assignments. Appropriate documentation will be required.

GENERAL POLICES
(1) There are no extra credit projects.
(2) An incomplete will be allowed for the class only if a 70% or better average is achieved through the take-home quiz due April 16. To receive an incomplete requires the completion of a contract with a date certain for completion of class requirements.
(3) Withdrawal from class is the responsibility of the student.

SUMMARY OF IMPORTANT DATES
Each Thursday – Article summary due
Each Tuesday – Take-home quiz due
Tuesday, February 19 – Biography due
Tuesday, May 7 – Second paper due
Tuesday, May 14 – Final Exam; 2:30 – 4:30 pm

COURSE OUTLINE AND READINGS
SV- Snowdon and Vane text K- Kates text HO- handout

I. An Overview of Modern Macroeconomics
   A. Issues and Ideas
      SV, 1.1 – 1.3
      Krugman, “How Did Economists Get It So Wrong?”
      Cochrane, "How did Paul Krugman get it so Wrong?"
   B. Business Cycle Features and Facts
      SV, 6.6
      Lucas, “Understanding Business Cycles” (HO)
C. The Great Depression
SV, 1.4 & 2.14
Shales, "Introduction" The Forgotten Man: A New History of the Great Depression (HO)
Romer, "Changes in Business Cycles: Evidence and Explanations"
Bernanke, "The Macroeconomics of the Great Depression: A Comparative Approach"
Eichengreen, "The Origins and Nature of the Great Slump Revisited"

D. The Development of Modern Macroeconomics
SV, 1.5 – 1.10
Blinder, "The Fall and Rise of Keynesian Economics"

II. “Classical” Economics
SV, 2.1 – 2.5
Ahaikpor, "The Classical Theories of Interest, the Price Level, and Inflation" (HO)
Ahaikpor, "Full Employment: A Classical Assumption or Keynes's Rhetorical Device?"
Baumol, "Say's (at Least) Eight Laws"
Kates, "On the True Meaning of Say's Law"
Clower and Leijonhufvud, "Say’s Principle: What It Means and Doesn't Mean" (HO)
Yeager and Rabin, "Monetary Aspects of Walras’s Law and the Stock-Flow Problem"

III. Keynes’ General Theory
SV, 2.6 – 2.17
Keynes, General Theory, chapter 8, 12, 13, 17, 18, and 24
Keynes, "The General Theory of Employment"
Gerrard, "Keynes’s General Theory: Interpreting the Interpretations"

IV. Orthodox Keynesianism: IS-LM
SV, 3.1 – 3.7
Hicks, "Mr. Keynes and the "Classics": A Suggested Interpretation"
Modigliani, “Liquidity Preference and the Theory of Interest and Money”
Tobin, "Price Flexibility and Output Stability: An Old Keynesian View"

V. Orthodox Monetarism
SV, 4.1 – 4.5
Friedman, "The Role of Monetary Policy"
Friedman, "Inflation and Unemployment"
Laidler, "Monetarism: An Interpretation and an Assessment"
Modigliani, "The Monetarist Controversy Revisited"

VI. Clower and Leijonhufvud: Disequilibrium “Keynesianism”
Leijonhufvud, "Keynes and the Keynesians: A Suggested Interpretation"
Clower and Leijonhufvud, "The Coordination of Economic Activities: A Keynesian Perspective"
VII. The New Classical School  
SV, 5.1 – 5.6  
Laidler, “The New-Classical Contribution to Macroeconomics” (HO)  
Lucas and Sargent, “After Keynesian Macroeconomics” (HO)  
Lucas, “Monetary Neutrality”  
Davidson, "Rational Expectations: A Fallacious Foundation for Studying Crucial Decision-Making Processes"  
Leijonhufvud, “Inflation and Economic Performance” (HO)

VIII. The Real Business Cycle School  
SV, 6.1 – 6.18  
Prescott, “Theory Ahead of Business Cycle Measurement”  
Plosser, “Understanding Real Business Cycles”  
Mankiw, “Real Business Cycles: A New Keynesian Perspective”  

IX. The New Keynesians  
SV, 7.1 – 7.14  
Greenwald and Stiglitz, “New and Old Keynesians”  
Mankiw, “The Reincarnation of Keynesian Economics” (HO)

X. The Post-Keynesian School  
SV, 8.1 – 8.11  
Davidson, “What Revolution? The Legacy of Keynes”  
Rosser, “Alternative Keynesian and Post Keynesian Perspectives on Uncertainty and Expectations”

XI. The Austrian School  
SV, 9.1 – 9.13  
Hayek, “The Pretence of Knowledge”  
Garrison, “From Keynes to Hayek: The marvel of thriving macroeconomies”  
Wagner, “Austrian Cycle Theory and the Prospect of a Coordinationist Macroeconomics”  
Wagner, “A Macro Economy as an Emergent Ecology of Plans”  
Wagner, “Viennese Kaleidos”

XII. The New Political Macroeconomics  
SV, 10.1 – 10.19  
Wagner, “Boom and Bust: The Political Economy of Economic Disorder”

XIII. The Failure(?) of Macroeconomics and the Great Recession  
A. Classical/Neoclassical Perspectives  
K, Kates, “The crisis in economic theory: the dead end of Keynesian economics”  
Ohanian, “The Economic Crisis from a Neoclassical Perspective”
B. Regulatory/Deregulatory Perspectives
K, Ricketts, “The governance of financial transactions”
Hanke, “Basel’s Capital Curse” (HO)
Yandle, “The Real Cause of the Financial Meltdown”
White, “The Credit-Rating Agencies and the Subprime Debacle”
Wallison, “Credit-Default Swaps are not to Blame”
Jablecki and Machaj, “The Regulated Meltdown of 2008”
Bhide, “An Accident Waiting to Happen”
Acharya and Richardson, “Causes of the Financial Crisis”

C. Coordinationist Perspectives
K, Boettke and Luther, “The ordinary economics of an extraordinary crisis”
K, Gunning, “Incentive divergence and the global financial crisis”
K, Horwitz, “The microeconomic foundations of macroeconomic disorder”
Horwitz and Luther, “The Great Recession and Its Aftermath from a Monetary Equilibrium Theory Perspective”
White, “How Did We Get into This Financial Mess?”

D. Post-Keynesian Perspectives
K, Keen, “The coming depression and the end of economic delusion”
K, King, “Reflections on the global financial crisis”
K, Prasch, “Bankers gone wild: the Crash of 2008”
K, Toporowski, “Excess debt and asset deflation”
K, Wray, “Minsky, the global money-manager crisis,, and the return of big government”

E. “Keynesian” Perspectives
Leijonhufvud, “Keynes and the Crisis”

F. Monetarist Perspectives
K, Congdon, “Did Bernanke’s ‘creditism’ aggravate the financial crisis of 2008?”
Laidler, “Two Crises, Two Ideas, and One Question”
Taylor, “Economic Policy and the Financial Crisis”
Gjerstad and Smith, “Monetary Policy, Credit Extension, and Housing Bubbles”

G. Political Economy and Economics Profession Perspectives
Acemoglu, “The Crisis of 2008”
Friedman, “A Crisis of Politics, Not Economics”
Colander, et. al., “The Financial Crisis and the Systemic Failure of the Economics Profession”
Zingales, “Learning to live with not-so-efficient Markets”
Colander, “How Economists Got It Wrong”

H. Has the Fed Been a Failure?
Selgin, Lstrapes, and White, “Has the Fed been a failure?”
Bordo, “Could the United States have had a better central bank?”
Friedman, “Rules versus discretion at the Federal Reserve System”
Meltzer, “The Federal Reserve (almost) 100”
Miron, “Comment on Selgin, Lstrapes and White”
Students in this class will learn or practice the following COBE Core Curriculum concepts, methods, and skills:

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<tr>
<td>1. Understand and apply analytical and disciplinary concepts and methods related to business and economics:</td>
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<tr>
<td>✓</td>
<td>1.3. Economics</td>
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<td>✓</td>
<td>1.6. International environment of business</td>
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<td>✓</td>
<td>2.1. Communicate effectively: Write messages and documents that are clear, concise, and compelling</td>
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<td>2.2. Communicate effectively: Give oral presentations that use effective content, organization, and delivery</td>
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<td>3. Solve problems, including unstructured problems, related to business and economics</td>
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<td>4. Use effective teamwork and collaboration skills</td>
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<td>5. Resolve ethical issues related to business and economics</td>
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