ECON 311-001: Intermediate Macroeconomics

Nguyen Engineering Building 1108; Monday and Wednesday 12:00 PM – 1:15 PM

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Office Location: James Buchanan Hall D134-6
Office Hours: Tuesday and Thursday (12 PM – 2 PM), or by appointment *upon mutual agreement*.

1. Course Description

This course seeks to explore answers to two fundamental questions in economics. In his magnum opus, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Adam Smith posed the fundamental question of economics: Why are some nations rich and others poor? To this day, economists have not achieved a definitive answer to that question. However, this does not mean we have not made progress in our understanding. While we may not know exactly what makes a country rich, we have a better understanding of the forces that hinder economic growth. In this course, we will explore the ongoing conversation among economists over the centuries and examine the current knowledge on this question.

The second question we will address is: What explains fluctuations or changes in economic productivity? This question can be approached in various ways. Why are there recessions or depressions? What causes unemployment? How does the monetary system work? Different schools of economic thought provide different answers to each of these questions. This course will discuss the similarities and differences among 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.
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. If you need a refreshing on any of these topics, feel free to review using resources such as Marginal Revolution University or Khan Academy.

Discussion in the class is encouraged. Therefore, I request that we maintain a respectful environment, avoiding distracting behaviors such as **side conversations**, **talking over each other**, and using **electronic devices** for non-class activities. Please set your phones to **"Do Not Disturb"** mode before class to avoid distractions. Recording the class is not permitted unless you have an accommodation from **Disability Services**, as outlined below.

Regular attendance is crucial for success in this course for several reasons. Firstly, the material covered in lectures will be the basis for the **midterm and final exams**. Moreover, attending class allows you to learn from me and your fellow students. Although attending regularly is your choice, I strongly recommend it.

3. Reading Materials

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

- ***Macroeconomics*** **(11th 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 of the content we will be going through each day*.

- ***Modern Macroeconomics: Its Origins, Development, and Current State*** **by Brian Snowdon and Howard Vane**

You are free to purchase this textbook if you wish, but you are not expected to purchase this book. I will provide PDFs of selected chapters for each lesson, regardless as to whether the Snowden and Vane chapter is a required reading or not. This textbook serves as an excellent summary of different schools of macroeconomic thought, and shall be used primarily to summarize each macroeconomic school of thought.

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:

- **Class Participation** (10%):

- **Problem Sets** (30%; 7.5% 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 ***OCTOBER 14*** (**12:00-1:15 PM**) and the ***cumulative*** final exam will occur on ***DECEMBER 16*** (**10:30-1:15 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.
  - There will be ***no make-up policy*** for either exam, save for extreme circumstances 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[1] for extra credit could be provided, at my discretion, throughout this class.

[1].

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
Aug. 26 (M)	Intro to ECON 311	ECON 311 Syllabus	
Aug 28 (W)	The Science of Macroeconomics	Mankiw: Chapter 1	Snowdon and Vane: Chapter 1
Sept 4 (W)	The Data of Macroeconomics	Mankiw: Chapter 2	
Sept 9 (M)	National Income	Mankiw: Chapter 3	
Sep 11 (W)	Microfoundations of Consumption	Mankiw: Chapter 20	
Sep 16 (M)	Microfoundations of Investment	Mankiw: Chapter 20	
Sep 18 (W)	The Monetary System	Mankiw: Chapter 4	
Sep 23 (M)	Inflation	Mankiw: Chapter 5	**Kessel and Alchian (1962) "Effects of Inflation"** Horwitz in Boettke (1994) "Inflation" White (2018) "Inflation"
Sep 25 (W)	Unemployment in the Labor Market	Mankiw: Chapter 7	
Problem Set #1 DUE SEPTEMBER 30 @ 11:59 PM			

Module #2: Economic Growth

Date	Topic	Required Reading	Recommended Reading
Sep 30 (M)	The Solow Model	Mankiw: Chapter 8	Snowdon and Vane: Chapter 11 **Boettke and Coyne (2022) "The Economic Logic Behind the Ultimate Resource"**
Oct 2 (W)	The Endogenous Growth Model	Mankiw: Chapter 9	Snowdon and Vane: Chapter 11

Oct 7 (M)	Institutions and Economic Development	Acemoglu, Johnson, and Robinson (2001) "The Colonial Origins of Comparative Development" Glaeser *et. al.* (2004) "Do Institutions Cause Growth?"	**North (1991) "Institutions"** **Boettke, Coyne, and Leeson (2008) "Institutional Stickiness and the New Development Economics"**
Midterm Exam Review: October 9***, 2024*** ***MIDTERM EXAM (OCTOBER 14, 2024; 12:00 PM – 1:15 PM)*** ***Problem Set #2 DUE October 21 @ 11:59 PM***			

Module 3: Business Cycles and the Orthodox Keynesian School

Date	Topic	Required Reading	Recommended Reading
Oct 16 (W)	Introduction to Business Cycles	Mankiw: Chapter 11	Snowdon and Vane: Chapter 2 **Lucas (1977) "Understanding Business Cycles"** Romer (2018) "Business Cycles"
Oct 21 (M)	Aggregate Demand I: Building the IS-LM Model	Mankiw: Chapter 12	Snowdon and Vane: Chapter 3 Blinder (2018) "Keynesian Economics"
Oct 23 (W)	Aggregate Demand II: Applying the IS-LM Model	Mankiw: Chapter 13	Snowdon and Vane: Chapter 3 Garrison (2014) "Hayek and Keynes: Head to Head" Mankiw (2018) "New Keynesian Economics"
Oct 28 (M)	The Open Economy	Mankiw: Chapter 6	
Oct 30 (W)	The Mundell-Fleming Model	Mankiw: Chapter 14	Snowdon and Vane: Chapter 3
Problem Set #3 DUE November 6 @ 11:59 PM			

Module 4: Alternative Schools of Macroeconomic Thought

Date	Topic	Required Reading	Recommended Reading
Nov 4 (M)	The Orthodox Monetary School	Snowdon and Vane: Chapter 4 McCallum (2018) "Monetarism"	**Yeager (1956) "A Cash-Balance Interpretation of Depression"** **Friedman (1968) "The Role of Monetary Policy"** Egger in Boettke (1994) "Monetarism" Garrison (2016) "Hayek and Friedman: Head to Head"
Nov 6 (W)	The New Classical School	Snowdon and Vane: Chapter 5 Hoover (2018) "New Classical Economics"	**Lucas (1976) "Econometric Policy Evaluation: A Critique"** **Barro (1979) "Second Thoughts on Keynesian Economics"** **Barro (1989) "New Classicals and Keynesians"**

			Hoover in Boettke (1994) "The New Classical Economics"
Nov 11 (M)	The Real Business Cycle Theory	Snowdon and Vane: Chapter 6	**Plosser (1989) "Understanding Real Business Cycles"**
Nov 13 (W)	**TBD**		
Nov 18 (M)	The Austrian Capital Theory	Snowdon and Vane: Chapter 9, Sections 1-4 Boettke (2018) "Austrian School of Economics" Leonard Reed, *I, Pencil*.	**Mises (1920) "Economic Calculation in the Socialist Commonwealth"** **Hayek (1945) "The Use of Knowledge in Society"**
Nov 20 (W)	The Austrian Business Cycle Theory	Snowdon and Vane: Chapter 9, Sections 5-13	**Garrison in Rothbard (1989) "The Austrian Theory of Business Cycles in the Light of Modern Macroeconomics"** Batemarco in Boettke (1994) "Austrian Business Cycle Theory" Butos in Boettke (1994) "The Hayek-Keynes Macro Debate" Garrison (2013) "The Austrian Theory of the Business Cycle"
Nov 25 (M)	Alternative Perspectives of Stabilization Theory	Mankiw: Chapter 17	Snowdon and Vane: Chapter 10 **Kydland and Prescott (1977) "Rules Rather than Discretion: The Inconsistency of Optimal Plans"** **Alesina and Summers (1993) "Central Bank Independence and Macroeconomic Performance"** **Bernanke and Mishkin (1997) "Inflation Targeting: A New Framework for Monetary Policy?"** Wagner in Boettke (1994), "Political Business Cycles"
Dec 2 (M)	Government Debts and Budget Deficits	Mankiw: Chapter 18	Snowdon and Vane: Chapter 10 **Newman (2020) "Modern Monetary Theory: An Austrian Interpretation of Recrudescent Keynesianism"**
Final Exam Review: Dec ***2, 2024*** ***Problem Set #4 DUE December 9 @ 11:59 PM*** ***FINAL EXAM (December 16, 2024; 10:30 AM – 1:15 PM)***			

6. Additional Information

Important Dates:
Important dates include the following:

- ***September 3*** (Last day to add classes)

- ***September 9*** (Last day to drop with full tuition refund)
- ***September 17*** (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.

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.