Econ 408 - Intermediate Macroeconomics

Professor Mott
Office Hours: TuTh 2:30-4:00 PM
Office: Econ 102

SYLLABUS

This is an intermediate-level course in macro-economics. By definition, this means we are concerned with economic behavior in the aggregate, that is, at the level of the system as a whole. Thus we want to find out what determines the level of and fluctuations (business cycles) in aggregate income, aggregate employment, and the aggregate price level. We want to know how society decides to devote resources to investment in more capacity to produce goods and services so that the economy can grow. We want to know what determines the overall level of demand for these goods and services to see how much of this capacity to produce will be utilized. We want to understand the role of government insofar as it affects aggregate economic activity and to understand the role of our monetary system and the importance of money and interest rates to macroeconomic activity.

In order to understand all this we really have to come to terms with what drives our economic system, with what makes it function or dysfunction. Macroeconomics deals with many questions that are of great importance and concern and controversy in our society today. We will ask what causes unemployment and inflation, is the economy inherently prone to instability, what can or can't the government do about the economy.

Unfortunately it will not be easy to give answers to these questions. This is not because there are no answers to them, but, oddly enough, because there are too many answers. Macroeconomics is definitely one branch of economics where there is by no means a consensus as to what the causes of and remedies for economic problems are. Thus we will have to familiarize ourselves with more than one theory of what is going on in the economy.

More fortunately the issues involved in our study will have great relevance to economic, social, and political controversies raging in the world at the present moment. We want to be able at least to understand the issues involved and the arguments behind the different positions advocated. But during and even prior to understanding the "real" world we will have to deal with certain theoretical abstractions. Hopefully you will quickly realize why this is necessary.

The textbook for the course is Wallace Peterson, Income, Employment, and Economic Growth. I have also assigned selections from Peter McClelland, Introductory Macroeconomics 1985-86, and some additional readings. Peterson and McClelland are available at the Bookstore. The other readings will be in a packet that you can purchase at Kinko's Copy Center across the street. The McClelland selections are "popular" articles from news magazines, the business press, and the like to give us the popular justifications and concerns surrounding the economic issues we are dealing with. The articles at Kinko's are more theoretical and philosophical in nature to push us to think more deeply about these issues. Hopefully this combination will enable us to deal with popular, "man/woman on the street" concerns and to go below the surface so we aren't being superficial, as it is seemingly so easy to be in economics. The written assignments to be graded in the course are designed to reinforce this, as the tests will be open book and will force you to draw on the material not in the textbook.
Grading on this course will be on the basis of two tests during the term and a final exam. Each test will count 1/3 of your grade. The midterms will be given after Topic II and after Topic III. The titles of the Topics and the readings that go with each are listed below:

**Topic I: Overview**
- *Peterson, Chaps. 1-3*
- Milton Friedman, "The Relation Between Economic Freedom and Political Freedom"
- Joan Robinson, "An Economist's Sermon"
- McClelland, Selections 1-12

**Topic II: The History of Macroeconomic Doctrines**
- *Peterson, pp. 397-404, Chap. 4, and pp. 118-143*
- Anthony Campagna, "A Brief History of Macroeconomics"
- Gardner Ackley, "Wicksell's Elaboration of the Quantity Theory"

**Topic III: Aspects of the Macroeconomy**
- *Peterson, pp. 143-164 and Chaps. 6, 7, 8, 9*
- Friedman, "Fiscal Policy"
- ______, "International Financial and Trade Arrangements"
- Robinson, "The New Mercantilism"
- McClelland, Selections 25-27, 29-36, 61-66

**Topic IV: Current Competing Paradigms**
- *Peterson, Chaps. 10, 11, 12, 13*
- Friedman, "The Control of Money"
- ______, "The Role of Monetary Policy"
- Robinson, "Prices and Money"
- Josef Steindl, "Prices, Costs, and Profit Margins"

**Topic V: Current Macroeconomic Problems**
- *Peterson, Chaps. 14, 15, 17*
- McClelland, Selections 13-24, 28, 42-50