

Econ 320. Modern Money, Banking, and the Macroeconomy

Spring 2012

Lewis and Clark College

Department of Economics

Time: MWF 01:50PM - 02:50PM

Location: John R. Howard Hall 135

Prerequisite: ECON 291, ECON 220^(Recommended)

Credits: 4

Website: Log on Moodle

Instructor: Dr. Éric Tymoigne

Office Hours: MW: 11.00AM – 12.30PM

Office: John R. Howard Hall Room 324

Email: etymoigne@lclark.edu

Phone: 503-768-7629

Required book:

Wray, L.R. (2012) *Modern Money: A Primer on Macroeconomics for Sovereign Monetary System*. Forthcoming

Minsky, H.P. (2008) *Stabilizing an Unstable Economy*. New York: McGraw-Hill.

Recommended book

Mitchell, W.F., and J. Muysken. (2008) *Full Employment Abandoned: Shifting Sands and Policy Failures*. Cheltenham: Edward Elgar

Course Description: The course combines the insights obtained from Money and Banking and Intermediate Macroeconomics to explore the inner workings of monetarily sovereign economies like the United States, Japan, Canada, Sweden, and the United Kingdom. In order to do so Modern Money Theory and the Minskian analysis are used. The course shows that monetarily sovereign governments have special properties that allow them to promote financial stability, full employment and price stability. National accounting identities are used to separate the economy in three broad sectors: government, domestic private, and rest of the world. The first part of the class analyzes national accounting identities to explain how sectors are interrelated. The second part of the classes focuses on the government sector and the inner working of government financing. This detailed institutional analysis is used to draw some causalities and policy implications that form the core of Modern Money Theory. The third part of the class focuses on the domestic private sector and analyzes it by using Minsky's financial instability hypothesis.

Course Goals: At the end of the course, students should be able to understand 1) that financial positions of economic sectors are interrelated and at least one of them must be in deficit if another is in surplus 2) that monetarily sovereign government are not subject to any effective budget constraints 3) why central bank exist and how they operate in the economy 4) How financial crises occur and their consequences on the economy 5) Use the framework develop in class to understand current economic problem like Social Security financing, the Eurozone crisis, and the 2008 financial crisis.

Students Learning Outcomes: The course has several goals: 1) to develop critical thinking 2) to help students understand the different interpretations of how the financial system works 3) to study how the financial system interacts with the rest of the economy 4) to provide a solid foundation to understand current economic events.

Expectations: You are expected to participate and to focus on the lecture (turn off your cellular phone, have the appropriate material, do not chat, arrive on time, etc.). Moreover, students are expected to read the assigned material before the lecture. Do not hesitate to ask questions, to make pertinent

remarks, or to give your opinion about a concept presented in class; this may lead to a fruitful discussion. If you have any problems regarding the class, you can come to my office or you can send an email to me. In the latter case, if appropriate, I will reply by sending the answer to all the students of the class.

Grade: Grades will be determined in the following way:

<i>Numeric Score</i>	<i>Letter Grade</i>
95 – 100	A
90 – 94	A-
87 – 89	B+
84 – 86	B
80 – 83	B-
77 – 79	C+
74 – 76	C
70 – 73	C-
67 – 69	D+
64 – 66	D
60 – 63	D-
0 – 59	F

The following weights will be applied (all elements are worth 100 points):

Participation: 15%

Assignments: 30%

Midterm: 25%

Final Exam: 30%

It is your responsibility to keep all records of work done, emailed correspondences, and grades obtained. This will come handy if you think your grade is not accurate.

Assignments: Assignments consist in written and oral group assignments. You have to present articles in class and I ask you to write four response papers per group. You are required to work in a group of three or four students (I will make the groups); each person will have to present a paper at least twice. At the end of the semester, you will email me an anonymous peer review for each group member. Additional guideline is available on Moodle.

Final exam: You have two choices. A paper or making a short document that explains something you learn in the course for the general public.

- Paper: You must write a paper on a subject studied in class and must present it to the rest of the class for 15 minutes (followed by 5-10 minutes of questions). The final version of your paper is due April 30th and no late paper will be accepted. Check the schedule below for other deadlines. Paper should be about 3500-word long (excluding bibliography and title page) and double spaced. Any plagiarism will lead to any immediate F for the paper (this policy is strictly enforced: cite your sources and be sure to understand what plagiarism is).
- Documentary: You can use YouTube videos (<http://www.youtube.com/create>), Xtranormal, Goanime, graphic novels, comic books. The length of the video should be around 6 minutes. If your video gets an A, it will be submitted for publication on the New Economic Perspective blog that gets thousands of viewers a day (Acceptance is subject to final approval by the NEP administrator). The goal is to make a complex problem simple, easy to follow and funny so that potential viewers are attracted.

For inspiration the following are very good blogs that regularly write about topics related to this course:

- Calculated Risk— <http://www.calculatedriskblog.com>
- Naked Capitalism— <http://www.nakedcapitalism.com>
- Interfluidity— <http://www.interfluidity.com>
- Credit Writedowns— <http://www.creditwritedowns.com>
- Pragmatic Capitalist— <http://www.pragcap.com>
- The Center of the Universe— <http://www.moslereconomics.com>
- Billy Blog— <http://bilbo.economicoutlook.net/blog/>
- New Economic Perspectives from Kansas City— <http://neweconomicperspectives.blogspot.com>

In the future, you may want to participate to the building of this: http://mmtwiki.org/wiki/Main_Page

Participation: Participation is based on involvement in class, that is, answering questions, asking questions, making pertinent remarks. Involvement also means doing the required work on time, reading the syllabus carefully before asking a question regarding the course, and coming to my office if you have a problem to understand what was discussed in class. Attending the class is also part of participation but perfect attendance only will not give you 100% of the participation grade. The participation grade is calculated in the following way: 40% for attending the class, 15% for paying attention, for reading your syllabus before asking an administrative question to me, and for completing your work on time, 45% for answering questions, asking questions, making relevant comments (a relevant comment is not necessarily a valid statement; it may be incorrect but it may help to enlighten the discussion), and participating to discussions.

Attendance: Attendance is mandatory. I will take roll at the beginning of every lecture, and, if you miss more than three sessions, I will discount your participation grade.

Make-up exams: Make-up exams will not be granted unless you can provide a written justification from the relevant person (doctor, coach, etc.) that explains why you could not take the scheduled exam.

Academic Integrity. According to the Lewis & Clark College's Academic Integrity Policy: "Acts of academic dishonesty involve the use or attempted use of any method or technique enabling a student to misrepresent the quality or integrity of his or her academic work. Academic dishonesty with respect to examinations includes but is not limited to copying from the work of another, allowing another student to copy from one's own work, using crib notes, arranging for another person to substitute in taking an examination, or giving or receiving unauthorized information prior to or during the examination. Academic dishonesty with respect to written or other types of assignments includes but is not limited to: failure to acknowledge the ideas or words of another that have consciously been taken from a source, published or unpublished; placing one's name on papers, reports, or other documents that are the work of another individual, whether published or unpublished; flagrant misuse of the assistance provided by another in the process of completing academic work; submission of the same paper or project for separate courses without prior authorization by faculty members; fabrication or alteration of data; or knowingly facilitating the academic dishonesty of another." During in-class exams, cheating will result in an immediate F for the exam and plagiarism will result in severe sanctions.

Students with Disabilities: If you have a disability that may impact your academic performance, you may request accommodations by submitting documentation to the Student Support Services Office in the Albany Quadrangle (x7156) (http://www.lclark.edu/offices/student_support_services/). After you

have submitted documentation and filled out paperwork, staff in that office will notify me of the accommodations for which you are eligible.

Writing Center and Math Skills Center: If you would like to get some help to improve your English or your math skills do not hesitate to go to the Writing Center in the Albany Quadrangle (writenow@lclark.edu or x7505) and the Match Skills Center located underground in the Biology-Psychology Building (benowicz@lclark.edu or x7569).

Tentative Class Schedule Spring 2012				
Weeks	Days	Topics	Required Readings	Additional
Week 1	16-Jan			MLK Day
	18-Jan	Quick Refresher: Balance Sheet	Ritter 1963 Wray, 1	
	20-Jan			
Week 2	23-Jan	Stock-Flow and the Three Sector Balance	First: Tymoigne , Parenteau I , Wilder Wray, 1 Papadimitriou et al. (2002)	
	25-Jan			
	27-Jan	The Three Sector Balance and Aggregate Demand.	First: Kelton , Kelton , Wray , Wolf 2010 Goldley 2000, Tymoigne 2007	Kaminska
Week 3	30-Jan	Modern Monetary System: A Chartalist View	Read First: Mitchell Wray, 2 Forstater 2006, Davis 1900	Wray 2003b (until page 94)
	1-Feb			
	3-Feb			
Week 4	6-Feb	Modern Central Banking: First MMT Principles	First: Mitchell Wray 3 Kahn 2010 Meulendyke 1998, 7 Fullwiler 2008	Meulendyke 1998, 6 Wray 2007 Lovett 1978
	8-Feb			
	10-Feb			
Week 5	13-Feb	Government Finances and Macroeconomic Implications: Second MMT Principles	First: Fullwiler , Fullwiler , Mitchell , Tymoigne , Wray , Wray 4 Wray 2003	Mitchell and Muysken 8 Bell 2000 Lerner 1943
	15-Feb			
	17-Feb			
Week 6	20-Feb	MMT Macroeconomic Policies: Full Employment, Inflation, and Public Debt.	First: Nersisyan and Wray , Mitchell , Fullwiler Wray 6, 7 Harvey 2000 Mitchell and Muysken 4, 5	Mitchell Mitchell and Muysken 9 Nersisyan and Wray 2010b Brady 2003
	22-Feb			
	24-Feb			
Week 7	27-Feb	MIDTERM (Week 1 -8)		2 HOURS
	29-Feb			
	2-Mar			
Week 8	5-Mar	Sovereign Debt Crisis: European Crisis	First: Parenteau II Wray 5, Wray 2003	Godley 1992 Goodhart 1998
	7-Mar			
	9-Mar			
Week 9	12-Mar	Social Security, Funding Problem or Real Problem?	First: Kelton , Wray 2002 Eisner 1998 , Wray 1990	Galbraith et al 2009a Galbraith et al 2009b
	14-Mar			
	16-Mar			
Week 10	19-Mar	Financial Fragility: An International Historical Perspective	Minsky 1984, Knutsen and Lie 2002, Kregel 2003	
	21-Mar			
	23-Mar			
Week 11	26-Mar	Two Price Theory and The Investment Theory of the Business Cycle	Minsky 7, 8 Wray and Tymoigne 2010	
	28-Mar			
	30-Mar			
Week 12	2-Apr	Financial Instability	Fisher 1933 Minsky 9 Tymoigne and Wray Draft.	
	4-Apr			
	6-Apr			
Week 13	9-Apr	Money Manager capitalism	Minsky 10 Minsky 1992, Wray 2009 Papadimitriou et al 2011	Tymoigne and Wray Draft
	11-Apr			
	13-Apr			
Week 14	16-Apr			
	18-Apr			
	20-Apr			
Week 15	23-Apr			
	25-Apr			

TAKE HOME FINAL: EMAIL ME YOUR FINAL ASSIGNMENT BY April 30 at 4PM

Note: "Wray 1" refers to chapter 1 of Wray book. All papers are on Moodle.