

## **Syllabus: ECON 204H, Honors Intermediate Macroeconomics, Fall 2019**

Professor Hendrik Van den Berg, Rm. 217, Gordon Hall, 418 North Pleasant St., Amherst, MA 01002;  
office phone: 413-577-3339; cell: 402-202-6997; email: hvandenberg@econs.umass.edu.

Office Hours: MoWe: 10:30 - 14:15; or by appointment.

Class time: MoWe 14:30-15:45, Herter Hall 201.

### ***Required textbooks:***

Froyen, Richard (2012), *Macroeconomics: Theories and Policies, 10th Edition*, Pearson; ISBN: 978-0-13-243835-3. [The purchase price of a new printed copy of the book is outrageous; I recommend renting rather than purchasing (about \$40 through Amazon). Even better, look for a used copy online; it is OK to buy a used 9th edition; the 9th edition differs little from the 10th edition and can often be found used online for a very reasonable price]

Keynes, John Maynard (1936), *The General Theory of Employment, Interest, and Money*, London: MacMillan. [This book is available at no charge online at <https://www.marxists.org/reference/subject/economics/keynes/general-theory/index.htm>]

***Please note that you will need the textbook from day one in the course, and you will not be excused from handing in assignments on time due to not yet having the textbook. Get your book before the semester begins, please.***

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### ***Course Procedures:***

Communications, assignments, and all reading materials other than the Froyen textbook will be provided through the course page in Moodle. There will be one midterm exam (25% of your grade) and a final exam (25% of your course grade), and a mixture of short assignments, in-class quizzes, and class participation (50% of your course grade). You should always be prepared to respond to class questions and to participate in class discussion. Assignments will be posted in Moodle at least a week before they are due. Grades posted in the grade book will be numerical; they follow the traditional letter scale, with an A+ = 97.5-100 pts., A = 92.5-97.5 pts., A- = 90-92.5 pts., B = 87.5-89.9 pts, and so forth.

With regard to the homework assignments, you may work with other students in the class, but the final written version must be written by you without any outside help or consultation with other students so that your grades on the assignments clearly reflect your understanding of the course material. Also, all written material must be your original writing—no cutting and pasting from the textbook or other outside readings allowed! We will check for this.

The material of this course addresses many complex, and sometimes controversial, ideas and events. In order to provide perspective, we will sometimes go beyond what is normally covered in an economic theory course. I feel strongly that theory must be able to provide meaningful answers to our real concerns, so do not be surprised by some of the topics I will bring up in class. Similarly, I do not consider any questions as inappropriate as long as they are posed and addressed in a scientific manner and with the intent to learn more about the macroeconomic issues that concern us. Do not be afraid to speak up, ask questions, or challenge the instructor and fellow students. Economics is a social science, so complexity and different perspectives are to be expected.

Please keep up with the reading assignments; it will difficult to catch up if you fall behind. At the same time, if you do all the reading needed for weekly assignments, prepare the assignments conscientiously, and prepare yourself to participate in class discussion, you will most likely do very well in the course. The course does include economic models, and you will have to become comfortable shifting between abstract models and the realities of the times for which the models were developed. Finally, remember that this is your course, and you are encouraged to bring up issues that interest you. Let the instructor know what interests you, what questions you would like to investigate, and what is important to you.

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### *Outline of the Course*

#### Week 1 (W, Sep 4): **Introduction to Macroeconomics, Models**

Class Discussion: The history of the macroeconomy, institutions, the circular flow, income and accumulation.

Required Reading: Froyen Chap. 1 and the following posted document:

[The Circular Flow of an Economy](#)

Suggested readings:

[The Case for Pluralism](#)

[Kuhn's History of Science](#)

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#### Week 2 (MW, Sep 9, 11): **Measuring Economic Activity and the Macroeconomy, Human Well-being, Economic Justice**

*Class discussion:* GDP, GNP, Alternative Measures; Human Well-Being, Individual vs. collective well-being, Inequality, and the goals of macroeconomic policy.

Required reading: Froyen, Chapter 2; Also, the chapter posted below:

[Defining and Measuring Well-Being](#)

Suggested reading:

[Bastiat - The Broken Window and other stories](#)

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Week 3 (MW, Sep 16, 18): **A Short History of Macroeconomic Thought, The Classical School, Is there an *Invisible Hand*?**

*Discussion for class:* Equilibrium, stability of equilibrium, comparative advantage, static analysis, invisible hand.

Reading: Froyen, Chapters 3 and 4; Also, the following two files posted below:

[Two Centuries of Recessions and Depressions](#)

[We're Measuring the Economy All Wrong](#)

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Week 4 (MW, Sep 23, 25): **The Keynesian Model**

*Discussion for class this week:* Aggregate demand, the components of aggregate demand, the complication of finance, banks, and money.

*Required Reading:* Froyen Chap. 5.

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Week 5 (MW, Sep 30, Oct 2): **Hicks' IS-LM model, Fiscal and Monetary Policy; Aggregate Demand/Aggregate Supply Analysis**

*Concepts in focus:* The goal of full employment, Simplifying Keynes' ideas into Hicks' IS-LM model, extending the Keynesian into the AD/AS model.

*Reading:* Froyen, Chaps. 6, 7

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Week 6 (MW Oct 7, 9): **The popularization of Keynes, Expectations, Money**

*Concepts in focus:* Macroeconomic policy, the goals of policy, expectations, money

*Reading:* Froyen, Chap. 7, 8; Keynes, *The General Theory of Employment, Interest, and Money*, Chapter 12 [downloadable from address listed in “required textbooks” above]

## Week 7 (TW Oct 15, 16): **Monetarists, Rational Expectations, Natural Rate of Unemployment**

Tuesday, Oct 15, follows a Monday Schedule; Monday is *Indigenous People's Day*

*Concepts in focus:* Supply Side Economics, real business cycles, natural rate of unemployment, new classicals

*Reading:* Froyen Chaps. 9, 10, 11.

Suggested readings if the current controversies in macroeconomics are of interest:

[Mainstream Economics' Flight from Complexity File](#)

[Arrow and Debrue - Existence of Equilibrium File](#)

[Duncan Foley - Critique of Neoclassical Model File](#)

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## Week 8 (MW Oct 21, 23): **New Keynesians, Real Business Cycles, Neoclassical Macroeconomics; Inequality in the macroeconomy.**

*Concepts in focus:* Neoclassical economics, product markets and labor markets, the role of money.

Suggested readings:

[Piketty and Inequality Today](#)

[World Inequality Report - 2018](#)

[Pay vs. Productivity - Inequality](#)

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## **Oct 28 - Mid-Term Exam**

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## Week 9 (W, Oct 30): **Adding some Contrast: The Marxian Model and the Polder Model; Institutions, History, and the dialectic process of historical development**

*Class topics:* The Marxian model, the concept of surplus in the circuit of capital, development and underdevelopment.

*Reading:* Ben Fine's book on interpreting Marx's Capital.

Fine, Ben, and Alfredo Saad-Filho, *Marx's Capital*, 6th Edition, ISBN-10: 0745336973

*Suggested reading:*

[Marx's Materialist Dialectic Approach](#)

[Communist Manifesto - 1848](#)

[Rosa Luxemburg - Accumulation of Capital](#)

[Baran's monopoly capital File](#)

## Week 10 (MW, Nov 4, 6): **Open Economy Macroeconomics: The Mundell-Fleming Model**

*Concepts in focus:* Foreign exchange markets, foreign trade, how recessions spread across borders.

*Reading:* Froyen, Chaps. 14, 15; also, “Deriving the BP Curve.

### [Deriving the BP Curve](#)

This is a step-by-step description of how to derive the BP curve in the Mundell-Fleming model. This is from Hendrik Van den Berg (2016), *International Finance and Open-Economy Macroeconomics*, Singapore: World Scientific Publishers.

*Suggested reading:*

[Herman - The Threat of Globalization](#)

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## Week 11 (W, Nov 13): **More on the Mundell-Fleming (IS-LM-BP) Model**

Note that Monday, November 11, is a holiday (Armistice or Veterans Day)

Reading: Froyen Chap. 16.

Suggested reading:

[John Maynard Keynes' \*The Consequences of the Peace\*, which you can find at:  
<http://www.econlib.org/library/YPDBooks/Keynes/kynsCP.html>](#)

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## Week 12 (MW Nov 18, 20): **Money, Banking, and the role of the Financial Sector of the Economy, Modern Money Theory**

Reading: Froyen Chaps. 16, 17; Kelton and Wray articles below.

[Stephanie Kelton on MMT](#)

[Wray and Tempoigne on MMT](#)

Suggested additional readings:

[Intro to MMT - from my lecture notes at UMKC](#)

[Financialization](#)

[The High Cost of Finance](#)

[Finance Is not the Economy](#)

[The 2007 Financial Crisis - A Case Study](#)

Next week, November 23-30, is Thanksgiving break

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Week 13 (MW, Dec 2, 4): **Economic Growth and Development, Harrod's Growth Model**

*Reading: Solow Growth Model, Technology, Schumpeter-Romer Model* - articles posted below:

Solow Growth Model - Growth Text Chapter

Technology - Chapter 6 from Growth Text

Schumpeter-Romer Model - from Growth Text

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Week 14 (MW, Dec 9, 11): **Macroeconomic Policy under Environmental Constraints and Other Contemporary Issues**

*Concepts in focus:* Complexity, environmental economics, financialization, social economics, feminist economics.

*Reading:* Definitely read the post on the Harrod model and at least a couple of the posts on environmental constraints to economic growth.

[An article using the Harrod Model.](#) [This paper contains a description of the Harrod model.]

[Brief Description of the Harrod Model](#) [This paper provides a quick introduction to the Harrod growth model. Note the model's Keynesian roots as well as its dynamic nature. Harrod provided a supply side to Keynes' aggregate-demand model, with interesting new dynamics that further explain the potential sources of economic instability.]

[Growth and the Environment](#) - from Growth

[Décroissance and Employment of Last Resort](#)

[NASA Model](#)

[Cows and Global Warming](#)

[George Monbiot - Missing Link](#)

[Macro Policy in an Environmentally Constrained Economy](#)

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**Final Exam: Time and date will be announced.**