ECONOMICS 202: INTERMEDIATE MACROECONOMICS
PROFESSOR RANDALL WRAY

SYLLABUS

This course is the continuation of the introductory macroeconomics course. In it, students will get acquainted with main models that macroeconomists use to analyze the way economies behave. The course starts by looking at the models that explain long run economic growth. We then focus our attention on investigating economic theories that explain short run business cycles, the periods of recessions and booms that occur on a regular basis. An important part of the course is to investigate the role of governments in affecting the long run and short run economic prospects of their countries. We apply the acquired theoretical knowledge to a range of current economic issues, including budget deficits and national debt, international trade, and the role of institutions. Prerequisite: either ECON 100, or the combination ECON 101 / ECON 102, MATH 110.


The semester is divided into three sections. There is a week between sections for catch-up, reviews, student presentations, and examinations. Note that more advanced, technical, or mathematical sections are marked with an asterisk (*). These are optional.

The first section is designed as a review of the introductory macroeconomics course and an introduction to the debate between Keynes and the “Classics”. Students who have taken their introductory class at Bard can probably move more quickly through the first six chapters. For others, some of this might be new material.

The rest of the course is divided into two sections of approximately 5 weeks, with related topics covered. Between sections we will reserve class time for review and for an exam.

Typically, we will reserve Monday class time for a lecture. Wednesday class time will be reserved for reviews, exams, in-class work, discussion, and student presentations.

The readings from the Textbook, as well as scheduled reviews and exams are presented below.

Week-by-Week Readings from the Textbook (Please consult Moodle for up-to-date assignments)

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<tr>
<th>Week-by-Week Readings from the Textbook (Please consult Moodle for up-to-date assignments)</th>
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<td><strong>Review of Principles of Macroeconomics</strong></td>
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<td><strong>Readings</strong></td>
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**PART 1: REVIEW**

**Week 1:** Introduction to Economics

**Chapter 1: Introduction**

1.1 What is Economics? Two Views
1.2 Economics and the Public Purpose
1.3 What is Macroeconomics?

Chapter 2: How to Think and Do Macroeconomics
2.1 Introduction
2.2 Thinking in a Macroeconomic Way
2.3 What Should A Macroeconomic Theory Be Able To Explain?
2.4 Why is it so Difficult To Come to an Agreement on Policy?
   The Minimum Wage Debate
2.5 The Structure of Scientific Revolutions
2.6 Conclusion
*Appendix: A case study of the Buckaroo currency

Chapter 3: A Brief Overview of the Economic History and the Rise of Capitalism
3.1 Introduction
3.2 An Introduction to Monetary Capitalism
3.3 Tribal Society
3.4 Slavery
3.5 Feudalism
3.6 Revolts and the Transition to Capitalism
3.7 Capitalism
3.8 Monetary Capitalism
3.9 Global Capitalism
3.10 Economic Systems of the Future?

Week 2: Measuring Output and Employment

Chapter 4: The System of National Income and Product Accounts
4.1 Measuring National Output
4.2 Components of GDP
4.3 Equivalence of Three Measures of GDP
4.4 GDP versus GNP
4.5 Measuring Gross and Net National Income
4.6 GDP Growth and the Price Deflator
4.7 Measuring Chain Weighted Real GDP
4.8 Measuring CPI Inflation
4.9 Measuring National Inequality

Chapter 5: Labour Market Concepts and Measurement
5.1 Introduction
5.2 Measurement
5.3 Categories Of Unemployment
5.4 Broader Measures of Labour Underutilisation
5.5 Flow Measures of Unemployment
5.6 Duration of Unemployment
5.7 Hysteresis

Week 3: Sectoral Acctg; Models; Math

Chapter 6: Sectoral Accounting and the Flow of Funds
Chapter 7: Methods, Tools and Techniques
7.1 Overview
7.2 Basic Rules of Algebra
7.3 A Simple Macroeconomic Model
7.4* Graphical Depiction of a Macroeconomic Model
7.5* Power Series Algebra and the Expenditure Multiplier
7.6* Index Numbers
7.7* Annual Average Growth Rates
7.8 Textbook Policy Regarding Formalism

Week 4: Currency, Money and Banking

Chapter 9: Introduction to Sovereign Currency: The Government and its Money
9.1 Introduction
9.2 The National Currency (Unit of Account) (*skim the box in 9.2)
9.3 Floating verses Fixed Exchange Rate Regimes
9.4 IOUs Denominated in National Currency: Government and Non Government
9.5 Use of the Term ‘Money’: Confusion and Precision

Chapter 10: Money and Banking
10.1 Introduction
10.2 Some Definitions
10.3 Financial Assets
10.4 What Do Banks Do

Week 5: Catch-up, Review, Exam
Exam 1 Feb 26

PART II: THE BASIC MACRO MODEL

Week 6: Keynes vs the Classics

Chapter 11: The Classical System
11.1 Introduction
11.2 The Classical Theory of Employment
11.3 Unemployment in the Classical Labour Market
11.4 What is the Equilibrium Output Level in the Classical Model?
11.5 The Loanable Funds Market, Classical Interest Rate Determination
11.6 Classical Price Level Determination
11.7 Summary of the Classical System
11.8* Pre Keynesian Criticisms of the Classical Denial of Involuntary Unemployment

Chapter 12: Mr Keynes and the Classics
12.1 Introduction
12.2 The Existence of Mass Unemployment as an Equilibrium Phenomenon
12.3 Keynes’ Critique of Classical Employment Theory (*Box is optional)
12.4 Involuntary Unemployment
12.5 Keynes’ Rejection of Say’s Law: The Possibility of General Overproduction (*Box is optional)

Week 7: The Theory of Effective Demand and Employment

Chapter 13: Theory of Effective Demand
13.1 Introduction
13.2 The D-Z Approach to Effective Demand
13.3 Introducing Two Components of Aggregate Demand: D1 and D2
13.4 Advantages of the D-Z Framework
13.5 Role of Saving, Hoarding and Liquidity Preference
13.6 The Demand Gap Arguments and Policy Implications
13.7 Conclusion

Week 8: Aggregate Expenditure and Supply

Chapter 15: The Aggregate Expenditure Model
15.1 Introduction
15.2 A Simple Aggregate Supply Depiction
15.3 Aggregate Demand
15.4 Private Consumption Expenditure
15.5 Private Investment
15.6 Government Spending
15.7 Net Exports
15.8 Total Aggregate Expenditure
15.9 Equilibrium National Income
15.10 The Expenditure Multiplier

Chapter 16: Aggregate Supply
16.1 Introduction
16.2 Some Important Concepts
16.3 Price Determination
16.4* The General Aggregate Supply Function (AS)
16.5 What Determines the Level of Employment?
16.6* Factors Affecting Aggregate Output per Hour

Week 9: Spring Break No classes
Week 10: Review and Exam
Exam 2 Apr 1

PART III: POLICY AND MODERN MACRO

Week 11: Unemployment and Inflation; buffer stocks

Chapter 17: Unemployment and Inflation
17.1 Introduction
17.2 What is Inflation?
17.3* Inflation as a Conflictual Process
17.4 The Quantity Theory of Money
17.5* Incomes Policy

Chapter 18: The Phillips Curve and Beyond
18.1 Introduction
18.2 The Phillips Curve
18.3 The Accelerationist Hypothesis and the Expectations Augmented Phillips Curve
18.4* Hysteresis and the Phillips Curve Trade Off
18.5* Underemployment and the Phillips Curve

Chapter 19: Full Employment Policy
19.1 Introduction
19.2 Full Employment as a Policy Goal
19.3 Policies for the Promotion of Employment
19.4* Unemployment Buffer Stocks and Price Stability
19.5* Employment Buffer Stocks and Price Stability
19.6* Impact on the Phillips Curve

Week 12: Monetary and Fiscal Policy

Chapter 20: Introduction to Monetary and Fiscal Policy Operations
20.1 Introduction
20.2 The Central Bank
20.3 The Treasury
20.4 Coordination of Monetary and Fiscal Operations
20.5 Taxes and Sovereign Spending
20.6 Currency Sovereignty and Policy Independence
*Appendix: Advanced Material

Chapter 21: Fiscal Policy in Sovereign Nations
21.1 Introduction
21.2 Functional Finance versus Sound Finance
21.3 Fiscal Policy Debates: Crowding Out and (Hyper) Inflation
21.4 Conclusion: MMT and Fiscal Policy

Chapter 22: Fiscal Space and Fiscal Sustainability
22.1 Introduction
Week 13: Advanced Policy

Chapter 23: Monetary Policy in Sovereign Nations
23.1 Introduction
23.2 Modern Banking Operations
23.3 Interest Rate Targets versus Monetary Targets
23.4* Liquidity Management
23.5* Implementation of Monetary Policy
23.6* Unconventional Forms of Monetary Policy
23.7* Monetary Policy in Practice
23.8* The Advantages and Disadvantages of Monetary Policy
23.9 Central Bank Independence
23.10 Horizontal and Vertical Operations: An Integration

Chapter 24: Policy in an Open Economy, Exchange Rates, Balance of Payments and Competitiveness
24.1 Introduction
24.2 The Balance of Payments
24.3* Essential Concepts
24.4* Aggregate Demand and the External Sector Revisited
24.5* Trade in Goods and Services, Product Market Equilibrium and the Trade Balance
24.6* Capital Controls

Chapter 26: Stabilising the Unstable Economy
26.1 Introduction
26.2 Economic Cycles and Crises
26.3* Marxist Theory of Crisis
26.4* Keynesian and Post Keynesian Theories of Crisis
26.5 Minsky’s Financial Instability Hypothesis

Week 14: History of Thought and ISLM

Chapter 27: Overview of the History of Economic Thought
27.1 Introduction
27.2 History of Neoclassical Theory
27.3 History of Heterodox Thought
27.4 Institutional Economics
27.5 Modern Orthodox Schools of Thought
27.6 Post War Economic History and History of Thought

Also Read Ch 29.5 Modern Heterodox Schools of Thought here
**Chapter 28: IS-LM Analysis**

28.1 Introduction to the Concept of General Equilibrium
28.2 The Money Market: Demand, Supply and Equilibrium
28.3 Derivation of LM Curve
28.4 The Product Market: Equilibrium Output
28.5 Derivation of IS Curve
28.6* Equilibrium and Policy Analysis in the IS-LM Framework
28.7* Introducing the Price Level: The Keynes and Pigou Effects
28.8* Limitations of IS-LM Analysis

**Appendix*: The IS-LM Algebra

**Week 15: Modern Schools of Thought**

**Chapter 29: Modern Schools of Thought**

29.1 Introduction
29.2 The Rise of New Classical Economics
29.3 Real Business Cycle Theory
29.4 New Keynesian Economics

**Chapter 30: The New Monetary Consensus**

30.1 Introduction
30.2 Components
30.3 Weaknesses

**Chapter 33: Macroeconomics for the future**

33.1 Introduction
33.2* Modeling framework
33.3 Government and the monetary system
33.4 Monetary Policy
33.5 Private Banks
33.6 Trade and exchange rates

**Week 16: Review and Exam**

**Third Exam May 13**