



UNIVERSITY of
DENVER

COLLEGE OF ARTS, HUMANITIES
& SOCIAL SCIENCES
Economics

***SYLLABUS FOR
ECON 4020 / ADVANCED MACROECONOMIC THEORY***

SPRING-2020 | TTh 4:00 – 5:50 PM | [ONLINE]

Instructor: Yavuz Yaşar

Office Hours: By appointment. Phone : 303 871 22 44 & E-mail : yyasar@du.edu

COURSE DESCRIPTION & GOALS: The main goal of this course is to expose students to current and past ideas in macroeconomic theory by introducing them in the context of their historical development over time. This requires a critical examination of various macroeconomic theories and associated policies introduced by different schools of thoughts in economics. Specifically, we will begin with the neoclassical school by referring to its Classical roots (e.g., Say's Law). This will be followed by the ideas of John Maynard Keynes who established the contemporary foundations of macroeconomics in the early twentieth century. Next is the subsequent and various interpretation as well critique of Keynes' ideas (e.g., Monetarism, the New Classical School, the New Keynesian School). Then, we look closely into the ideas and policies that have dominated macroeconomics since the 1980s, or the new Consensus Macroeconomics, referring to the consensus between New Classical and New Keynesian Schools. We will conclude with a critical and alternative perspective in macroeconomics provided by the Post Keynesian School as well as a section on money, banking, and financial crises.

This course builds upon undergraduate and intermediate level micro and macroeconomics course. Thus, it is the responsibility of students to refresh their undergraduate level macroeconomics background if they need to. There is no one single source to do that. I can suggest a few alternative sources, if needed.

LEARNING OUTCOMES: After this course, students should be able to

1. relate the New Classical and New Keynesian theories to neoclassical microeconomics, and
2. articulate what is different about the ideas of John Maynard Keynes and the Post Keynesians from the other two theories, and
3. articulate what determines consumption spending, investment spending, and the role of money in the economy.

READINGS: Since this is a graduate level course and it aims to approach macroeconomic theory from a critical perspective, there is no single source that can achieve the learning outcomes and goals of this course. Thus, we will use multiple sources, perhaps some more than others. I will use the following books more often.

- [JMK] John Maynard Keynes. (1991 [1936]). *The General Theory of Employment, Interest, and Money*. Harcourt Brace & Company, New York.
- [SV] Brian Snowden & Howard R. Vane. 2005. *Modern Macroeconomics. Its Origins, Development and Current State*. Edward Elgar, Cheltenham, UK & Northampton, MA, USA.
- [CS] Wendy Carlin & David Soskice. (2014). *Macroeconomics: Institutions, Instability, and the Financial System*, Oxford University Press.
- [PE] Wallace C. Peterson & Paul S. Estenson. *Income, Employment, and Economic Growth*, 8th Edition (1996), W. W. Norton & Company, New York & London.
- [LT] Lance Taylor. (2010). *Maynard's Revenge: The Collapse of Free Market Macroeconomics*, Harvard University Press, Cambridge, Massachusetts & London, England.

Note that [JMK] is available online on a couple sites*. [PE] is out of print. So, I will supply copies of the relevant chapters on Canvas. I will also supply relevant chapters of [LT], [SV] and [CS]. For future reference and use, I strongly suggest you buy the last three books and [JMK]. All of these books target and appropriate for a graduate level study of macroeconomics. In that sense, [PE] is also appropriate and used for intermediate or upper division level learning of macroeconomics. If one needs to refresh undergraduate level macroeconomics, [PE] is a good one to start with.

There will also be some additional readings from some other books. Again, copies of relevant sections of those books will be available on Canvas. We will also use scholarly articles published in academic journals. They will be listed in the course outline below. Students can find those articles through the university's library. Note that any reading listed under *Optional & Background* is optional in the sense that if one needs to refresh their intermediate level macroeconomic theory background and/or to further support their understanding of the topic.

EXAMS AND ASSIGNMENTS: Your grade will be based on your performance in five, take-home essay type exams, and four problem sets assignments. Essay-type exams will consist of short essay questions about the topics covered beforehand. Problem sets will consist of analytical problems based on various macroeconomic models. The outline below shows approximately when each assignment will be assigned. The exact dates and times will be available once the assignments are posted online on Canvas. The weight of each assignment is shown below

*<http://cas2.umkc.edu/economics/people/facultypages/kregel/courses/econ645/winter2011/generaltheory.pdf> or <https://www.marxists.org/reference/subject/economics/keynes/general-theory/>.

Essays (4)	70%
Problem Sets (3)	30%
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Total.....	100%

POLICIES

Timing & Attendance: Come to on-line class on time. Attendance is very important! The course covers a lot of material quickly and some material will only be covered during the lectures. If a satisfactory attendance (i.e., at least 60% of the term) is not accomplished, students will be asked to withdraw or receive a failing grade.

Preparation: Read the assigned material in advance and familiarize yourself with the subject before the lecture.

Canvas & Zoom: Canvas will be used to make major announcements about due dates, assignments, etc. Supplemental materials not included in the course packet will also be posted on Canvas. We will use Zoom to connect with each other and conduct online lectures. Here is a wealth resources for online learning:
<https://www.du.edu/it/services/technology-resources-learning-off-campus>

Critical Learning: Do not believe any of the economics you read in the textbook or elsewhere. Learn it well and critically. Do not believe any of the economics I present in class. Learn it well and critically.

The DU Honor Code: Students at the University of Denver are expected to uphold the DU Honor Code and act honestly, act with integrity, and strive for academic excellence. Plagiarism and other forms of academic misconduct have severe consequences and will not be tolerated. That is, anyone who plagiarize will automatically receive an 'F' for this course. Students should familiarize themselves with the honor code (<http://www.du.edu/ccs/honorcode.html>) and the student code of conduct (<http://www.du.edu/ccs/code.html>), and act accordingly.

Disability Service Program (DSP): If you qualify for academic accommodations because of a disability, please submit a letter to me from Disability Services Program (DSP) in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities and is located under the Bookstore in the Driscoll Student Center South. DSP -- 303.871.2455 / 2278 / 7432. The Handbook for Students with Disabilities is available online at <http://www.du.edu/disability> (click on Disability Services Program and then publications) and is also available in hard copy and alternate format.

Restriction of Audio and Video Student Classroom Recording

Students may not photograph or use audio or video devices to record classroom lectures or discussions or visual materials that accompany them. This restriction also includes visual materials that accompany the lecture/discussion, such as lecture slides, whiteboard notes/equations, etc. Students with disabilities who need to record classroom lectures or discussions must contact the Disability Services Program to register, request and be approved for an accommodation. All students are advised that classroom activities may be taped by students for this purpose. Such recordings are to be used solely for the purposes of individual or group study with other students enrolled in the class in that semester. They may not be reproduced, shared in any way (including electronically or posting in any web environment) with those not in the class in that semester. Students who violate this policy will be reported to [The Office of Student Rights & Responsibilities](#) and may be subject to both legal sanctions for violations of copyright law and disciplinary action under *Student Rights & Responsibilities Policies*.

COURSE OUTLINE & SCHEDULE

I. INTRODUCTION (Week 1)

[SV]-Chp. 1-Understanding Modern Macroeconomics

[LT]-Chp. 1-Macroeconomics

Optional & Background:

[Canvas] Michl, Thomas. "Chapter 1-Macroeconomic Accounting" in *Macroeconomic Theory: A Short Course*, M.E. Sharpe, 2002

II. (NEO)CLASSICAL MACROECONOMIC THEORY & MODEL (Week 1 & 2)

[SV] Chp. 2: (pp. 36-54) Keynes v. the 'old' classical model

[PE] Chp. 3: Classical System

Optional & Background:

[Canvas] McCafferty, S. Chp. 1- *Static, Deterministic Macroeconomic Models*
[LT] Chp. 2: (pp. 68-85) *Money and (Some) Finance in the Nineteenth Century*

III. KEYNES' GENERAL THEORY (Week 2 & 3)

1. The Critique of (Neo)Classical Theory

[JMK] Chp. 1: The General Theory;

Chp. 2: The Postulates of Classical Economics;

Chp. 14: The Classical Theory of the Rate of Interest

[SV] Chp. 2: (pp. 54-75) Keynes v. the 'old' classical model

Optional & Background:

[PE] Chp. 4: (pp. 100-131) *The Keynesian System*

2. The General Theory

[JMK] Chp. 3: The Principle of Effective Demand;
Chp. 11: The Marginal Efficiency of Capital;
Chp. 13: The General Theory of the Rate of Interest
Chp. 15: The Psychological and Business Incentives to Liquidity
Chp. 19: Changes in Money Wages
Chp. 22: Notes on the Trade Cycle
[SV] Chp. 2: (pp. 75-90) Keynes v. the 'old' classical model

Optional:

[LT] Chp. 4: (pp. 145-172) *Maynard Ascendant*

Essay-1 (Topics II & III)
Problem Set-1 (Topic II & III)

IV. THE COUNTERREVOLUTION-I: THE NEOCLASSICAL SYNTHESIS & MONETARISM (Week 4 & 5)

1. IS-LM Model of the Neoclassical Synthesis

[SV] Chp. 3: The orthodox Keynesian school
[CS] Chp. 1: The demand side
[CS] Chapter on IS-LM (*only pages 27-43*)

Optional & Background:

[PE] Chp. 4: (pp. 131-141) *The Keynesian System*

[PE] Chp. 6: *The IS-LM Model*

[LT] Chp. 6: (pp. 221-230) *The Counterrevolution*

Problem Set-2 (Topic IV-1)

2. Monetarism

[SV] Chp. 4: The orthodox monetarist school
[PE] Chp. 11: Money and Output
[CS] Chp. 4: (pp. 118-129) Expectations

Optional:

[LT] Chp. 6: (pp. 230-235) The Counterrevolution
[Canvas] Harris, L. Chp. 21: Monetarism and Keynesianism

Essay-2 (Topic IV)

V. THE COUNTERREVOLUTION-II: THE MAKING OF THE ‘NEW CONSENSUS’ MACROECONOMICS (Week 6 & 7)

1. The New Classical & the Real Business Cycle Schools

[SV] Chp. 5: The new classical school
[SV] Chp. 6: The real business cycle school
[CS] Chp. 16: Real Business Cycle and New Keynesian Models (pp. 583-600)

Optional & Background:

[LT] Chp. 6: (pp. 235-253) The Counterrevolution

2. The New Keynesian Macroeconomics

[SV] Chp. 7: The new Keynesian school
[CS] Chp. 2: The supply side
[CS] Chp. 3: The 3-equation model and macroeconomic policy
[CS] Chp. 4: (pp. 130-147) Expectations
[CS] Chp. 16: Real Business Cycle and New Keynesian Models (pp. 600-611)

Problem set-3 (Topic V)

Essay-3 (Topic V)

VI. POST KEYNESIAN THEORY (Week 8 & 9)

[Canvas] King, J. E. Chp. 1: The Core of Post Keynesian Economics
Chp. 4: (pp. 40-45) Some methodological issues
[Canvas] Mott, T. “Kalecki's Principle of Increasing Risk and the Relation Among Mark-up Pricing, Investment Fluctuations, and Liquidity Preference,” *Economic Forum* 15 (1985-86)
[Canvas] Kalecki, M. “Political Aspects of Full Employment” in *Selected Essays on the Dynamics of the Capitalist Economy, 1933-1970*.
[Canvas] Shaikh, Anwar. Chp. 3: Micro Foundations and Macro Patterns in Capitalism: Competition, Conflict, and Crises, Oxford University Press, 2016.†

Optional & Background:

† Note that Shaik is not a Post Keynesian. But what he says about micro foundations is relevant here.

[Canvas] Syll, L. P. "Microfoundations: On the use and misuse of theories and models in economics," in Macroeconomics After the Financial Crisis by Mogens Ove Madsen and Finn Olesen, Routledge: London & New York, 2016, pp. 105-126.

[Canvas] Davidson, P. "Money and the Real World," The Economic Journal, Vol. 82, No. 325 (March 1972), pp. 101-115.

VII. MONEY, BANKING, FINANCE, AND FINANCIAL CRISES (Week 9 & 10)

1. New Consensus Perspective

[CS] Chp. 5: Money, banking, the macroeconomy

[CS] Chp. 6: The financial sector and crises

[CS] Chp. 7: The global financial crisis: applying the models

2. Keynes and Post-Keynesian Perspective

[LT] Chp. 4: (pp. 114-145) Maynard Ascendant

[LT] Chp. 9: Keynesianism and the Crisis

[Canvas] King, J.E. Chp. 8: A case study: The Global Financial Crisis

Essay-4 (Topic VI)