

ECON 104 - Contemporary Macroeconomic Principles

INSTRUCTOR: Henry Thompson

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OFFICE HOURS: By appointment

ECON 104-004

Spring 2021

Horizon Hall 1012

Th(R) 9:00-10:15am

“As civilized human beings, we are the inheritors, neither of an inquiry about ourselves and the world, nor of an accumulating body of information, but of a conversation, begun in the primeval forests and extended and made more articulate in the course of centuries. It is a conversation which goes on both in public and within each of ourselves.... Education, properly speaking, is an initiation into the skill and partnership of this conversation in which we learn to recognize the voices, to distinguish the proper occasions of utterance, and in which we acquire the intellectual and moral habits appropriate to conversation.” — Michael Oakeshott

“The Theory of Economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of mind, a technique of thinking which helps its possessor to draw correct conclusions.” — John Maynard Keynes

COURSE OVERVIEW

Thematic Questions:

1. What is an economic system and how does it work? How does it fail?
2. To what extent is a market economy a self-regulating system? Why do there seem to be periods in which business go through a “boom” and then a “bust,” leading to persistent, mass unemployment?
3. Can government intervention into the economy through changes in centralized regulation, taxation, spending, and the supply of money improve on the market’s self-regulating process? Under what circumstances? At what cost?
4. What theory most convincingly explains the Great Depression? Is there “one theory to rule them all?” What constitutes a good theory? What constitutes a bad theory? By what standards do we judge between good and bad theories?

Economics is the study of human action and of the unintended consequences that arise from humans interacting with each other under different sets of institutions or “rules of the game.” The fundamental method of economics (“methodological individualism”) involves trying to trace the logic of all social phenomena back to the meaningful and understandable choices of individual human beings.

Macroeconomics studies system-wide changes in business activity, output, unemployment, and inflation. Macroeconomics has an uneasy relationship to economics. Some, following J. M. Keynes, implicitly reject the method of economic reasoning in favor of applying statistics to aggregates of economic data. Others see macroeconomics as a branch of economics in which

the tools of microeconomic reasoning serve as “microfoundations” to explain macroeconomic questions, such as, why are there periods of widespread and persistent unemployment?
The course will be divided into three sections:

Part 1- Microfoundations will focus on the role of property, prices, and profit and loss, how the price system coordinates the division of labor, and how price controls screw that coordination up.

Part 2- Money, Banking, & Business Fluctuations will introduce the idea of business fluctuations with the example of the Great Depression, explore the nature of money, banking, and introduce the modern Aggregate Demand-Aggregate Supply model, which we will be using in the final part of the course.

Part 3- Modern Macroeconomics will look at how different schools of thought think about the causes of business fluctuations and what governments can and should do about it, if anything.

LEARNING OUTCOMES

My main goal and sincerest hope is that you come away from this class inspired and with an abiding interest in economics. I hope it changes the way you look at the world.

A great deal of this class will be an open-ended exploration of the nature of a market economy, or of what Adam Smith calls a commercial society. To engage in that exploration, students will be expected to be able to articulate and use the list of conceptual tools listed in the assignments at the end of this syllabus. Students who faithfully read, watch, and complete the assignments, and regularly practice talking about the ideas involved with others will be better able to make sense of the world, solve problems, and meet both the [Economics department](#) and [Mason Core Social and Behavioral Science](#) learning objectives for the course.

REQUIRED MATERIALS & TECHNOLOGY

Required textbook:

- GS: [Macroeconomics: Private and Public Choice 16ed. By Gwartney, Stroup, Sobel, & Macpherson](#)
- Three ring binder

Students are required to bring physical copies of the textbook and printouts of the assigned readings to be discussed during that class as part of their participation grade. Students without their texts will be asked to leave class and will not receive participation credit for that class. **Laptops will not be permitted.**

Other readings will be found via links in the assignments at the bottom of the syllabus or under course content on Blackboard ([mymasonportal.gmu.edu](#)>Courses>Econ 104>Course Content)

In the case that George Mason suspends in-person classes, students will also need access to a web-enabled computer and access to GMU Blackboard ([mymasonportal.gmu.edu](#)) for their

homework. A microphone and video camera for video conferencing and test taking is also required.

GRADING & ASSIGNMENT STRUCTURE

Participation.....	40%
Homework Quizzes.....	25%
Assessment 1.....	5%
Assessment 2.....	10%
Assessment 3.....	20%
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Total.....	100%

In-class participation (40%)

Students who are insufficiently prepared will be asked to leave class in order to prepare more thoroughly, and will not receive participation credit for that class.

We will make an evolving rubric for participation through weekly debriefs in class. In addition, quality of participation in the dialogues and other class activities will be judged by, but not be limited to, the following:

PRESENT & PREPARED:

- The student arrives before class starts and is present throughout the class
- The student has copies of the readings in an organized and physical form
- The student has done all the reading sufficiently carefully to be ready to *explain* the assignment OR has *specific* questions about which parts of the readings or videos he or she did not understand.
- The student has annotated their texts, has taken notes on it, and is ready to launch the texts.
- And the student has one or more questions about the text he or she would like to explore with the group.

ACTIVE & ATTENTIVE:

- The student is attentive to the conversation, does not use phone or computer during class is active and proactive, maintains a posture of respect and alertness, tries to understand the text and others, volunteers to read aloud, asks questions, volunteers his or her hypotheses about what the text means, actively listens to others, helps peers, is courteous, receives feedback and criticism humbly and respectfully, agrees or disagrees with others with reason and sensitivity, presents ideas in plain language, supports claims with reasons.

The student will receive implicit participation feedback each week during debriefs and formal feedback after each of the first two assessments. Students can also come to office hours to discuss how to improve their participation.

Homework Quizzes (25%)

Students will take a brief quiz at the very beginning of every Tuesday class to assess whether they have read the textbook (or watched the videos), and done the practice problems due that class. The quiz will ask for the meanings of terms and definitions, themes, rules, lists, and other straightforward information to promote careful preparation.

If the chapter includes a graph or model, you should be prepared to reproduce that graph and answer questions about it on the quiz.

At least one of the questions on each quiz will come directly from the Critical Analysis Questions at the end of each chapter.

One question on the quiz each week will be on the content discussed or presented during the previous week's class.

These quizzes collectively add up to more than your final assessment. Consequently, they will be graded as if they were finals. It is highly recommended, therefore, that you study for these quizzes like a final each week and that you discuss the textbook concepts, diagrams, and the Critical Analysis Questions in your study group in preparation for each class.

Assessment 1 (5%)

Assessment 2 (10%)

Assessment 3 (20%)

At each assessment, you will be asked to evaluate your preparation and participation, you will receive feedback from your instructor, and you will be tested on your understanding of the material. Students may also be asked to present their annotations and notes on the assigned readings.

You will be given more detail about the assessments as they draw near.

Study Group Extra Credit (+5%)

There is one and only one extra credit assignment. Students who do the following will receive a completion credit of 5% added to their final grade:

1. Meet with a study group of three people or more, for three separate weeks out of the first four weeks of class,
 - a. upload a screenshot or selfie of everyone at the study group before that week's class. The upload must,

- i. Include the names of the people in the photo
- ii. **Each group member is responsible to post their own photo or screenshot** to Blackboard.

- You do not need to be in the same group each week.
- You are encouraged to continue meeting with two or three other students or so in a weekly in-person, or online study group to go over the textbook concepts and discussion questions throughout the semester.

Make-up Assignment and Extra-Credit Policy

Ordinarily, there will be no make-up assignments, if you miss a class or submission deadline. Given extraordinary circumstances, if you are unable to complete assignments on time due to real health concerns, and are able to substantiate that you were incapacitated from completing assignments for health related reasons, please reach out to me and we can arrange for you to make up missed assignments, where possible

Grading scale:

A+: 100-97

A: 96-93

A-: 92-90

B+: 89-87

B: 86-83

B-: 82-80

C+: 79-77

C: 76-73

C-: 72-70

D: 69-65

F:64-0

HOW TO SUCCEED

Read. Complete all the assigned readings and read for understanding, not just for information. Conceptual material is unlike a novel or a news report. You can't just read for information, you have to try to make sense of what you're reading. Slow down. Pay attention to the concepts *emphasized* on the syllabus, in the textbook, and in the readings. Look for what is italicized, emboldened, highlighted, repeated in the margin, and for cues in the paragraphs themselves that say "this is important or fundamental". Don't just try to memorize what it says, try to understand what it's saying: see if you can (1) explain the concepts in your own words and (2) give your own examples. Finally, try to think through whether the claims of the texts are true or false and why.

Test yourself. Don't "review" by looking over highlighted parts of the text again. Cover up definitions and see if you can remember and explain concepts on your own. Actually draw out the graphs on your own without looking at the text. See where you get stuck. Do the corresponding "practice questions" after watching every MRU video.

Take notes. Take notes on (1) the central ideas of the textbook (include a running list of terms and concepts you will want to review for tests), (2) launch notes for the discussion readings that will include the author's central question, thesis, main terms, and argument, (3) write up notes

directly after class about what was discussed. Review all these notes before the beginning of the following class.

Prepare to teach your peers. Research shows that when students study, not to “memorize” for a test, but to present the ideas to the class (even if they don’t end up presenting) they learn better and get better grades. So prepare every week to (1) explain the concepts in your own words and (2) give your own examples.

Meet in a study group. Talk about economics. Actually practice presenting material to peers. Test each other. Make each other articulate the ideas in your own words. Make yourself do it. Can you/they explain it? Can they give their examples and draw out the graphs? Don’t just take the ideas at face value or as mere “facts.” Discuss, debate, question, try to poke holes in them...and then try to defend them as best you can with the resources given. Finally, come up with questions you want to ask the class and instructor.

Schedule time and spread out your work. This is a three-credit-hour, college course. You can expectate 6-9 hours of “homework” per week besides study groups and tutoring. You should, therefore, plan to do 1.5 hours of economics study or more every day. This will include watching the online videos, reading, working in your study group. Divide up the work. Spread it out over the week. Get into a routine of when and where you will work.

Work for every possible grade that is in your control. Being properly prepared each week is worth 5% of your final grade. That is not negligible. One economic insight is that marginal, or small amounts, add up. Fail to do your homework sufficiently for three weeks, for instance, so that you are asked to leave class and it will be impossible for you to get an A in the class!

The extra credit assignment is a completion grade, which is entirely in your power.

Come to every class, talk, and ask questions. Every in-person class is an opportunity for you to explore the concepts with your peers and with me, to practice talking about and articulating your understandings, and to get practice and clarification about the tools and concepts.

Reach out to me for help on a regular basis. In addition to the weekly tutoring session with the department, I have online office hours by appointment. Please feel free to contact me. The best students set up a recurring meeting every week, fortnight, or month and treat office hours like dedicated tutoring sessions with the professor.

MISCELLANEOUS INFORMATION

Communication Policy: (1) Many students are not aware of professional standards for writing emails. To help them build the habit, I will only respond to emails that begin with a salutation and my name, e.g., “Dear Mr. Thompson,” and end with a sign off and your name, such as “Sincerely, John Smith.”

(2) Before asking questions about the course, students must refer to the part of the syllabus that should have answered their question but did not. That will help you be aware of how the syllabus answers many of your questions, and it will help me be aware of how to improve the syllabus.

Computers in Class: No computers are permitted in the in-person class.

Updates and Communication: Students should check the most recent version of the syllabus uploaded on Blackboard each week to check for any changes to class or class assignments. I may also need to update students on class activities and assignments by emailing students at their GMU email address. Students are responsible for checking this email regularly. Please also send all official communications to me via your GMU email address.

Accommodations/Disability Services: If you are a student who needs academic accommodations for any reason, religious or otherwise, please see me as early as possible, and, if applicable, contact Disability Services at 703-993-2474. All academic accommodations pertaining to disabilities must be arranged through that office.

Academic Integrity: Student are expected to adhere to the George Mason University Honor Code as it relates to integrity regarding coursework and grades. The Honor Code reads as follows:

“To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University Community and with the desire for greater academic and personal achievement, we, the student members of the university community, have set forth this Honor Code: Student Members of

the George Mason University community pledge not to cheat, plagiarize, steal, or lie in matters related to academic work.”

More information about the Honor Code, including definitions of cheating, lying, and plagiarism, can be found at the Office of Academic Integrity website at <https://oai.gmu.edu/>.

COVID related information: All students taking courses in person are required to take Safe Return to Campus Training before coming to campus. Training is available in Blackboard. Students are responsible for following the university’s public health and safety precautions and procedures outlined on the university Safe Return to Campus webpage.

All students taking in-person and hybrid courses must also complete the Mason COVID Health Check daily, seven days a week.

Face coverings such as masks are required for anyone in all buildings on campus. If you have respiratory impairment or other health issues that may prohibit the use of a face covering, you can request a face shield instead. Check with Human Resources.

Please maintain social distancing, including when entering and exiting the class.

ASSIGNMENT SCHEDULE

I. Microfoundations

1. Intro, Syllabus, Contract, Learning How to Learn

- *How to Read a Book*
- [Marty Lobdell: Study Less, Study Smart](#)

2. What is economics?

Tuesday

- L.E. Read, "I, Pencil" (7 pages)
- [I Pencil extended commentary video series](#)
- GS: 1.1 (pp. 2-7: What is Economics About?)
- GS: 2. Some Tools of the Economist (pp.18-38)
- MRU
 - [GDP](#) whole series

Thursday

- Hayne "The Economic Way of Thinking" (15 pages)
- Sowell: 2 Role of Prices 1/3 (pp. 11-19)

3. Production, Exchange, and Economic Prosperity

Tuesday

- GS: 16. Creating an Environment for Growth and Prosperity (pp. 321-339)
- MRU:
 - [The Hockey Stick of Human Prosperity](#)
 - [Division of Labor: Burgers and Ships](#)
 - [How the Division of Knowledge Saved My Son's Life](#)
 - [Comparative Advantage and the Tragedy of Tasmania](#)
- GS: Sects.17.3-17.4. Institutions, Policies, and Cross-Country Differences in Income & Growth (pp. 343-349)
- MRU
 - [The Wealth of Nations and Economic Growth](#) whole series

Thursday

- Sowell: 2 Role of Prices 2/3 (pp. 19-29)
- Adam Smith, "Of the Division of Labour and Restraints Upon Importation" - Smith presents the philosophical core of his laissez-faire doctrine (11 pages)
- Adam Smith, "Restraints upon Particular Imports" - Smith discusses cases in which it may be desirable to restrict international trade. (9 pages)

4. The Role of Prices 1: Economic Calculation

Tuesday

- GS: 3. Demand, Supply, and the Market Process (ignore sects 3.1b, 3.1c, 3.3d, 3.3e, 3.5b) (pp. 42-45, 47-54, 56-67)
- MRU:

- [The Demand Curve](#)
 - [The Supply Curve](#)
 - [The Equilibrium Price and Quantity](#)
 - [The Demand Curve Shifts](#)
 - [The Supply Curve Shifts](#)
 - [Supply and Demand Terminology](#)
 - [The Marginal Product of Labor](#)
 - [The Great Economic Problem](#)
 - [Commanding Heights: Episode 1, Battle of Ideas](#) 1st half [min 0:00-58:08]
- Thursday
- Sowell: 2 Role of Prices 3/3 (pp. 30-37)
 - Mises: The Impracticability of Socialism (6 pages)
 - Mises: Profit Management (pp. 17-32)

5. The Role of Prices 2: The Discovery and Use of Knowledge in Society

Tuesday

- GS: Sects. 4.1-4.2 Demand and Supply: Applications & Extensions (pp. 68-77)
- MRU:
 - [Information and Incentives](#)
 - [Price Ceilings and Price Floors](#) whole series
- [Commanding Heights: Episode 1, Battle of Ideas](#) 2nd half [min 58:09-1:56:00]

Thursday

- Sowell: 3 Price Controls (pp. 37-61)
- Lindsay, Centralization vs. Uncertainty (23 pages)

Assessment 1 (5%)

II. Money, Banking, and Introduction to Business Fluctuations

6. Introduction to Business Cycles & the Great Depression

Tuesday

- [Fear the Boom and Bust: Keynes vs. Hayek](#) Rap
- GS: Sects. 8.1 & 8.5 (including Exhibit 9) Economic Fluctuations, Unemployment, and Inflation (pp. 156-158, 169-170)
- MRU
 - [Intro to Business Fluctuations](#)
 - [Unemployment and Labor Force Participation](#) whole series

Thursday

- Chapter 2. "The Sun Sinks in the Yeast" [The Incredible Bread Machine](#) (pp. 29-53)
- Selections from Ken Burns [Documentary](#)
 - Introduction Ken Burns on Hard Times (54 seconds)
 - Ken Burns on the New Deal (28 seconds)
 - Hunger and Thirst (3 min 26 seconds)

- Ken Burns on the Great Depression (59 seconds)
- Share the Wealth (1 min 28 seconds)
- Hard Times (1 min 59 seconds)

7. Say's Law + Aggregate Demand-Aggregate Supply Model

Tuesday

- [Elon Musk & Akira The Don - IF YOU DON'T MAKE STUFF THERE IS NO STUFF \(Music Video\)](#)
- GS: GS 9.1-9.5, An Introduction to Basic Macro Markets (pp. 175-187)
- GS: 10.2-10.4 Dynamic Change, Economic Fluctuations, and the AD-AS Model (pp. 198-206)
- MRU
 - [Business Fluctuations](#)
 - [The Aggregate Demand Curve](#)
 - [The Long-Run Aggregate Supply Curve](#)
- Watts: [RBC Lecture](#) (38 mins)

Thursday

- Selections from Ken Burns [Documentary](#)
 - Ken Burns on the Dust Bowl (20 seconds)
 - Building Human Happiness (2 min 34 seconds)
 - [Relief](#) (6 min 43 seconds)
- Hazlitt, Say's Law (pp. 32-42)
- J.B. Say, Say's Law of Markets (pp. 12-22)

8. Money and Banking

Tuesday

- Rothbard, "1. The Limitations of Direct Exchange," "2. The Emergence of Indirect Exchange," "3. Some implications of the Emergence of Money" from *Man, Economy, and State* (pp. 187-196)
- GS: 13.3-13.7. Money and Banking System (pp. 256-275)
- GS: 10.1, 10.5 (pp. 199, 206-211)
- MRU:
 - [US Money Supplies: What is Money?](#)
 - [Saving and Borrowing](#)
 - [What Do Banks Do?](#)
 - [The Money Multiplier](#)

Thursday

- Menger, "On the Origin of Money" selections
- Radford: The Economic Organisation of a P.O.W. Camp (13 pages)

9. The Quantity Theory of Money and Inflation

Tuesday

- GS: Sect. 8.6 The Effects of Inflation (pp. 169-174)

- GS: Sects. 10.6-10.7 (The Price Level, Inflation, and the *AD–AS* Model Unanticipated Changes, Recessions, and Booms) (pp. 211-217)
- MRU
 - [Inflation and the Quantity Theory of Money](#) whole series

Thursday

- Friedman, The Cure for Inflation (pp. 248-282)
- Mises, The Non-Neutrality of Money (7 pages)

Assessment 2 (10%)

III. Modern Macroeconomics

10. The Keynesian view

Tuesday

- GS: 11. Fiscal Policy: The Keynesian View and the Historical Development of Macroeconomics (pp. 218-232)
- GS: 15.7 Macroeconomic Policy, Economic Stability, and the Federal Debt (pp. 313-318)
- MRU
 - [Sticky Wages](#)
 - [Business Cycles Explained: Sticky Wages & Prices](#)
 - [The Short-Run Aggregate Supply Curve](#)
 - [Changes in Velocity](#)
 - [Business Cycles Explained: Keynesian Theory](#)
 - [Game of Theories: The Keynesians](#)

Thursday

- Mises, "Lord Keynes and Say's Law" (6 pages)
- Blinder, "Keynesian Economics" from *CEE* (6 pages)

11. The Effects of Fiscal Policy

Tuesday

- GS: 12. Fiscal Policy, Incentives, and Secondary Effects (pp. 233-252)
- MRU
 - [Fiscal Policy](#) whole Series

Thursday

- Hazlitt, [Economics in One Lesson](#) Chapter 1-6 (pp. 3-35)
- Hazlitt, ["2. The Moral Criterion"](#) (4 pages)

12. The Monetarist/New Keynesian View

Tuesday

- GS: 14. Modern Macroeconomics and Monetary Policy (pp. 276-300)
- MRU
 - [Business Cycles Explained: Monetarist Theory](#)
 - [Game of Theories: The Monetarists](#)

- [Monetary Policy and the Federal Reserve](#) whole series
- Friedman, *Anatomy of Crisis* (1 hour)

Thursday

- McCallum, “Monetarism” from *CEE* (8 pages)
- Mankiw, “New Keynesian Economics” from *CEE* (6 pages)
- Yeager, Cash Balance Interpretation of Recession (15 pages)

13. The Effects of Monetary Policy

Tuesday

- GS: review Sect. 9.7 (Loanable Funds Market) (pp. 188-192)
 - Slides on three effects of inflation on interest rates
- GS 15.1-15.6 (pp. 301-313)
- Hoover, “Phillips Curve” from *CEE* (7 pages)
- MRU
 - [Business Cycles Explained: Real Business Cycle Theory](#)
 - [Game of Theories: Real Business Cycle](#)
 - [Understanding the Great Depression](#)
 - [Office Hours: Using the AD-AS Model](#)
 - [Office Hours: Multiple Shocks with the AD-AS Model](#)

Thursday

- Sargent, “Rational Expectations” from *CEE* (7 pages)
- Hoover, “New Classical Macroeconomics” from *CEE* (8 pages)
- Hayek, *The Pretence of Knowledge* (15 pages)

14. The Austrian View Redux: The Great Recession

Tuesday

- Mises, *The “Austrian” Theory of the Trade Cycle* (11 pages)
- “Out of Gas” from *Economics for Real People* (pp. 211-215)
- GS: Special Topics 5. *The Great Recession of 2008-2009* (pp. 445-459)
- MRU
 - [Business Cycles Explained: Austrian Theory](#)
 - [Game of Theories: The Austrians](#)
 - [Game of Theories: The Great Recession](#)

Thursday

- [Fight of the Century: Keynes vs. Hayek - Economics Rap Battle Round Two](#)
- GS: Special Topics 4. “Keynes and Hayek: Contrasting Views...” (pp. 439-444)
 - [Should we End the Fed?](#) (4:55 min)
 - [What Is Free Banking, and Why Should I Care?](#) (3:22 min)
 - [The Surprising Answer for How to Handle The Next Recession](#) (2:44 min)

Assessment 3 (20%)