

# Economics 304: Intermediate Macroeconomics

Youssef A. Benasser

Fall Semester, 2022



## Course Info

**Professor :** Youssef A. Benasser

**Email :** youssefa@reed.edu

**Lecture Time :** Tuesday, Thursday, 10:30am - 11:50am

**Lecture Location :** Elliot 206

**Office hours :** Tuesday 2pm-4pm, Thursday 2pm-4pm, and by appointment

**Tutors :** Aleina Aliwarga & Liam Marshall

**Tutoring hours :** TBD

## Learning on Stolen Land

Reed College is located on the traditional lands of the Cowlitz, Multnomah, Kathlamet, Clackamas, Tumwater, Tualatin Kalapuya, Wasco, Molalla, and Watlala bands of the Chinook, and many other nations of the Nch'i Wána ("The Big River"), also known as the Columbia. Today, descendants are citizens of the [Confederated Tribes of Grand Ronde Community of Oregon](#), and the [Confederated Tribes of the Siletz Indians of Oregon](#), as well as the Chinook Nation and Cowlitz Nation in Washington State and continue to make important contributions in their communities across the land we now refer to as Oregon.

This lands were taken through outright breaches of treaty laws, as the US has broken over 500 treaties with tribes currently representing in the Multnomah County. Denial of citizenship occurred until 1924, and Oregon continued to deny voting rights for indigenous citizens until the

federal government stepped in with the Voting Rights Act of 1965.

The indigenous history of Multnomah County is compounded by the fact that Portland Metro area was chosen as a destination site for the Indian Relocation Act of 1956, which coerced many Native people to leave their homes on tribal land and assimilate into the dominant culture. Because of this history, Multnomah County is home to the ninth largest urban Indian population in the United States.

For those of us who are not indigenous to this territory it is imperative that we engage with the history and implications of your presence here as we embark on a new term at Reed College. Below are questions to guide you through this process formulated by Native Land CA.

**What are some of the privileges settlers enjoy today because of colonialism? How can individuals develop relationships with peoples whose territory they are living on in the contemporary Oregonian and more broadly US geopolitical landscape? What are we doing beyond acknowledging the territory where we live and learn? What might we be doing that perpetuates settler colonial futurity rather than considering alternative ways forward for Oregon and the US? Do we have an understanding of the ongoing violence and the trauma that is part of the structure of colonialism? Are we aware of how the oppression of colonialism continues to create institutional bias and socio-economic disparities that affect indigenous communities? Do we know local indigenous-led organizations, their needs, and how we can contribute to advancing their goals?**

To engage more with these questions and the history that informs them, I encourage you to check out the following books:

- *When the Light of the World Was Subdued, Our Songs Came Through: A Norton Anthology of Native Nations Poetry*, edited by Joy Harjo
- *Custer Died for Your Sins: An Indian Manifesto*, by Vine Deloria, Jr.
- *When My Brother Was an Aztec*, by Natalie Diaz
- *When the Dead Sit Talking*, by Brandon Hobson
- *Crooked Hallelujah*, by Kelli Jo Ford
- *The Inconvenient Indian*, by Thomas King

or these podcasts:

- *All My Relations*, by Makita Wilbur & Adrienne Keene
- *Media Indigena*, by Rick Harp

## Learning Instructor (Hi!)



- **Name:** Youssef Ait Benasser, PhD. (they/them) – Please call me Youssef, or Dr. Y.
- **Research Interests:** International Economics, Trade Policy, Applied Econometrics, Finance, Higher Ed Pedagogy.
- **Hobbies:** languages, strategy games, performance arts.
- **Ask me about:** Anything related to class, connections between economics and other fields/the world, being a first-gen/international/underrepresented college student, economics careers, my dog.

## Learning outcomes

Macroeconomics is a branch of economics dealing with the performance, structure, behavior, and decision-making of an economy as a whole. This includes regional, national, and global economies.

This course will be a space for you to develop a working knowledge of the theoretical foundations of macroeconomics. We will use this theoretical understanding to empirically investigate how macroeconomic policy is conducted in the US (and similar economies in the Global North).

We will cover concepts such as economic growth, business cycles, recessions, fiscal and monetary policy, and other economic notions that are widely used and discussed, but seldom understood. We will submit these concepts to close theoretical dissection using workhorse macroeconomic models that combine mathematical and graphical components. We will also bridge these theories to concrete applications by looking at real world economies where applicable.

With this course, my goal is for us to **understand and question the macroeconomic methodology to describing economies and to prescribing policies**. By the end of the semester you will also be able to:

- Analyze workhorse models of the macroeconomy
- Differentiate short, medium and long-run economic dynamics
- Search and use data to describe the state of the economy
- Formulate policy implications of economic developments
- Anticipate how policy influences macroeconomic outcomes

The above are the standard outcomes of successful completion of the course as I have designed it. In addition to these, I want to learn about your own goals in this class: What is a good metric of progress in this course for you? What are you most interested in learning? What skills do you want to develop? ... I would be happy to discuss your desired outcomes in this course, and find ways to help you achieve those outcomes.



## **Learning in a Pandemic**

As we enter the third year of a weird time™, I want to acknowledge the difficulty of learning in uncertain times. As our mental and emotional bandwidths are partially consumed by the uncertainty and fluidity of this context, maintaining a full course-load is challenging, and it is a testament to your tenacity and dedication that I respect and admire.

Your success in this course is important to me. If there is some way I can help improve or support your access to the course materials please let me know. Given the COVID-19 pandemic, it's also worth noting that many of us might be experiencing unusually high levels of mental, emotional, or physical stress. If we can commit to keeping an open line of communication, I will do my best to accommodate your needs as they fluctuate this semester.

## **Learning tools**

### **Lectures**

The class will meet twice a week, on Tuesdays and Thursdays from 9:00 a.m. to 10:20 a.m. These meetings will be a combination of lecturing, student presentations, and discussions. A detailed program of lectures can be found at the end of the Syllabus.

### **Readings**

I have selected mandatory readings where applicable. Assigned readings are essential for course preparation, and especially for in-class discussions. You will be expected to complete the readings ahead of the associated lecture. You can find a complete list of the readings in the bibliography section below.

### **Textbook**

To guide the course, I am using Blanchard's Macroeconomics, 7th edition published by Pearson. You do NOT need to purchase the textbook to complete this course. Not having a copy of the book will NOT put you at a disadvantage. If you would still like to purchase it, the textbook is available in the bookstore.

### **Supplemental References**

For every chapter, I will publish a list of additional resources that relate to course material and that you can check out at your own leisure (movies, videos, additional readings, etc.)

### **Practice Questions**

I will periodically post practice question sets for the chapters that we cover. These questions are intended to help you self-evaluate and think about what you have learnt in the chapter. Corrections for practice questions will not be discussed in class, but I welcome questions in office hours or via email.

### **Assignments**

No one likes busy work. Assignments are designed for you to put your knowledge to work and grapple with thought experiments and real-life problems. They are an opportunity to receive feedback so you can evaluate your progress against the course outcomes and your own goals in the class.

Assignments will take different forms (see below). Not all assignments will be mandatory, and you will be able to choose how much extra-work you want to seek.

The assignments will be open book and open note. You will have a limited time in which to complete exams and quizzes.

## **Office Hours**

I will be holding office hours twice a week, on Tuesdays and Thursdays at 11am. You are all and one invited to stop by and discuss any questions, interests, concerns relating to the class and the term overall. If, due to some constraints, none of the hours work for you, you should feel free to email me and I will do my best to find a time for us to meet.

Outside of office hours, I will maintain an open-door policy, with the exception of reserved research time on Monday morning, all-day Wednesday and Friday afternoon. During these times, I will be hiding in the ivory tower, sequestered by the tenure monster, and will not be responsive to emails.

## **Tutoring**

Aleina Aliwarga and Liam Marshall, two senior economics majors, will be offering 4 hours of tutoring throughout the week. Times and rooms are TBD.

There are options for one-on-one tutoring. If you require to use these, you must talk to me beforehand.

## **Moodle**

All course material will be posted on Moodle. Moodle will also be our main platform of communication outside of in person meetings. Therefore, it is essential that you stay tuned to the course page, and make sure that you are receiving notifications for it.

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## **Learning Milestones**

### **Problem Sets**

There will be 5 problem sets throughout the term. Problem sets will be due 1 week after they are published as per the following schedule :

1. Problem Set 1: Due on Thursday 9/22 @ The beginning of class
2. Problem Set 2: Due on Thursday 10/06 @ The beginning of class
3. Problem Set 3: Due on Thursday 10/13 @ The beginning of class
4. Problem Set 4: Due on Thursday 11/3 @ The beginning of class
5. Problem Set 5: Due on Tuesday 11/22 @ The beginning of class

### **Midterms**

There will be 2 midterms for this course.

- Midterm 1 will take place on week 7. The midterm will cover all material from week 1-week 6. I will publish the midterm on Thursday 10/06 at noon, and it will be due on Tuesday 10/11 at the beginning of class.
- Midterm 2 will take place on week 13, and cover material from week 7 - week 11. I will publish the midterm on Thursday 12/1 at noon, and it will be due on Tuesday 12/06 at the beginning of class.

Study guides will be published and review sessions will be held ahead of time to help you prepare.

Midterms will consist of short answer questions for the most part. They will be take-home, and open notes. I request that you work on midterms individually to allow me to provide you with feedback that is specific to your own progress.

If you have an excused absence from the midterm you may earn the privilege of having your other midterm reweighted when calculating your course percentage by completing the missed midterm as a take-home test and scoring at least 90% (with less credit from the other final awarded if the 90% threshold on the take-home exam isn't met).

### **Final**

For the final, you will be able to choose among three different assignments.

- An analytical paper using an assigned bibliography.
- A data-driven research paper with empirical emphasis.
- A commentary/conceptual paper with an imaginative design component.



The final prompts will become available three weeks before the final is due, on Monday 11/28, and a rubric will be published. The final will be due on Thursday 12/15.

Evidence of academic misconduct on an exam will likely result in a failing grade for the entire course.

Not submitting a final will likely result in a failing grade for the course. If you know that you will not be able to take one of the exams you should seriously reconsider taking this course in this term.

If a serious illness or emergency prevents you from being turning the final on time, contact me before the due date.

### **Presentation and Discussion**

Starting week 3, we will have one presentation per week. Presentations must be backed by a bibliography, and well researched. They can be delivered in groups of 2 or individually. In addition to the presentation, which you must prepare for the class as a whole, you must turn in a two-page max summary.

Presentations must conclude with a discussion where you will lead the class through a set of questions/reflections. Below is the list of presentation topics. Including the discussion, presentations should be no longer than 30min.

- Week 3: Economic Miracles
- Week 5: Creative Destruction vs. Planned Obsolescence
- Week 4: Fiscal Stimulii in Recent US History
- Week 6: What is money?
- Week 7: The Distributional Aspects of Macroeconomic Policy
- Week 8: Gender and Racial Disparities in Labor Market
- Week 9: Economic Uncertainty and Welfare
- Week 10: Stories of Hyper-inflation
- Week 11: The International Economic System from 1945 to 2020
- Week 12: Inequality: Costs, benefits, and limits of policy intervention

### **End of Term Reflections**

This is an optional and encouraged assignment. This short essay will be an opportunity for you to evaluate your own progress over the semester, identify the strength and weaknesses in your learning practice, and hone in on future quests that the course and your work have inspired you.

## **Learning Agreements**

### **Online communication etiquette**

Each week on Monday morning, I will be sending out an announcement on Moodle with relevant information for that week including: class schedule, deadline reminders, and any additional information that may be relevant. It is essential that you receive and read the class announcements carefully. I recommend you keep Moodle notifications active.

Also, please email me with any course questions you might have. Your emails should respect standard communication etiquette and maintain a respectful tone. Make sure to put "EC304" at the beginning of the email subject line. While I will strive to be as reactive as possible, I ask that you allow a minimum delay of 24 hours before following-up with me.

### **Radical honesty**

Life happens. Even to the best of us. We have all, at one point or the other, hit the snooze button one too many times. This is your learning experience, and I trust you to make the best decisions for it to work best for you. If for any reason you are unable to meet an assignment deadline, or face difficulties meeting the course expectations, or your own, I encourage you to talk to me with transparency for us to find solutions together.

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## **Learning In Equity and Inclusion**

### **Zero Tolerance**

In this class no racist, sexist, homophobic, transphobic, islamophobic, xenophobic, ageist, ableist, anti-poor or other derogatory speech and behavior will be tolerated. If you experience or witness harassment, bias, or discrimination you may report to me, or (anonymously if desired) to the Bias Response team at <https://www.reed.edu/diversity/bias-incidents.html>.

### **Accommodations**

If you anticipate needing accommodations in this course, due to a disability, you can make arrangements through the Disability and Accessibility Resources ([Link](#)).

For all other cases, I want you to know that I will always err on the side of flexibility and accommodation. I am always happy to work with each one on arrangements that best serve their learning needs. I am happy to grant deadline extensions as long you make the request before the deadline expires.

### **Title IX**

Title IX prohibits sex discrimination including sexual misconduct, harassment, domestic and dating violence, sexual assault, and stalking. If you or someone you know has been harassed or assaulted you can receive confidential support and advocacy through SHARE ([Link](#)).

As your professor, I am what is called a student-directed reporter; this means that if you tell me about an instance of sex discrimination, you may choose whether or not you would like me to connect you with resources to help you. I am however required by law to report instances of child abuse and/or neglect.

### **Parents and Care-giving Students**

Currently, the College does not have a formal policy on children in the classroom. The policy described herein is a reflection of my own commitments to all students success.

Nursing babies are welcome in class as often as is necessary to support the nursing relationship. Older children and babies can also join their parents in class in cases where it is strictly necessary due to childcare difficulties.

I understand that unforeseen disruptions in childcare can and tending to children welfare can interfere with parent-student progress and attendance. Balancing school work and parenting duties can be challenging. I am willing to work with you to accommodate special needs that might arise. While I maintain the same high expectations for all students in my classes regardless of status, I am happy to problem solve with you in a way that makes you feel supported as you strive for school-parenting balance. For these conversations to work, I recommend they happen very early on in the term.

This policy also applies to students who care for older and dependent persons in their families.

## **Learning Program**

The program below highlights the topics of each session, and the associated required readings. This is my *à priori* vision for the course as a whole. Think of it as a tentative road-map. Who we are, and how we are going (and doing) is what is going to inform the directions and speed that we go in. So adjustments can and will be made to accommodate that. Any changes to this road-map, or other parts of the syllabus will be communicated to the class as soon as they occur.

Weekly Theme	Session	Topic	Readings
Week 1: A History of Capitalism	Tuesday 8/30	<b>Course Introduction</b> <ul style="list-style-type: none"> <li><b>Question:</b> What are the features of capitalism as an economic system, and how did the capitalist revolution come about?</li> </ul>	♦ The Syllabus
	Thursday 9/01	<b>Capitalism: How It Started, How It's Going</b> <ul style="list-style-type: none"> <li><b>Question:</b> How can we evaluate the performance of capitalism as an economic system today?</li> </ul>	--
Week 2: Macroeconomic Thinking	Tuesday 9/06	<b>Economic Epistemology</b> <ul style="list-style-type: none"> <li><b>Question:</b> How do we establish truths and evaluate positive and normative statements in economics?</li> </ul>	♦ Sagal, Paul (1977). "Epistemology of Economics" ♦ Dow, Sheila (1995). "The Appeal of Neoclassical Economics" ♦ Rodrik, Dani (2015). "Second Thoughts on Economics Rules" ♦ Gaus, Gerald (2016). "Normative Economics"
	Thursday 9/08	<b>What is wrong with macroeconomics?</b> <ul style="list-style-type: none"> <li><b>Question:</b> How has macroeconomic methodology evolved over time, and what are the main outstanding critiques of the discipline?</li> </ul>	♦ Bronk, Richard (2011). "Epistemological difficulties with neoclassical economics". ♦ Romer, Paul (2016). "The Trouble with Macroeconomics". ♦ Stiglitz, Joseph (2018). "Where Modern Macroeconomics Went Wrong". ♦ Reis, Ricardo (2018). "Is Something Really Wrong with Macroeconomics".
Week 3: Observing The Economy	Tuesday 9/13	<b>Macroeconomic Aggregates and Linkages</b> <ul style="list-style-type: none"> <li><b>Question:</b> What are the main aggregates that we can use to describe the state of an economy, and how are these aggregates related to each other?</li> </ul>	♦ Hulten, C., Nakamura, L, (2022). "Is GDP Becoming Obsolete?" ♦ EuroStat (2022). "The Need for Measurement Beyond GDP"
	Thursday 9/15	<b>Identification and analysis of macroeconomic data</b> <ul style="list-style-type: none"> <li><b>Question:</b> Where does macroeconomic live, and how does it inform empirical macroeconomic research?</li> </ul>	♦ Blanchard, Olivier, (2000). "What do we know about macroeconomics that Fisher and Wicksell did not?". ♦ Obstfeld, M., Rogoff, K. (2000). "The Six Major Puzzles in International Economics: is there a common cause." ♦ Reis, Ricardo, (2020). "The People versus the Markets: A Parsimonious Model of Inflation Expectations".

Week 4: The Macroeconomic Long-Run (I)	Tuesday 9/20	<b>Economic Growth (1)</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How can we explain the spectacular economic growth that followed the industrial revolution? How can we model economic growth?</li> </ul>	--
	Thursday 9/22	<b>Economic Growth (2)</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> What drives continued economic growth, and how can we explain the lack of economic convergence?</li> </ul>	--
Week 5: The Macroeconomic Long-Run (II)	Tuesday 9/27	<b>Technological Progress</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> Why is their heterogeneity in innovation across countries and time? Is there a role for policy in shaping innovation environments or addressing related market failures?</li> </ul>	<ul style="list-style-type: none"> <li>◆ Acker, J., Ksoll, C., Lybbert, T. (2012). "Can Mobile Phones Improve Learning? Evidence from a Field Experiment in Niger"</li> <li>◆ Jacobson, L., LaLonde, R. Sullivan, D. (2005). "Is retraining displaced workers a good investment?"</li> <li>◆ Linton, Daniel (1992). "The Luddites: How Did They Get That Bad Reputation?"</li> <li>◆ Mazzucato, Mariana (2016). "From Market Fixing to Market-creating: a New Framework for Innovation Policy"</li> <li>◆ Mazzacuto, M., Kattel, R., Ryan-Collins, J., (2019). "Challenge-driven innovation policy: Towards a New Policy Toolkit"</li> </ul>
	Thursday 9/29	<b>Long-Term Economic Sustainability</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How can macroeconomic policy address sustainability concerns?</li> </ul>	<ul style="list-style-type: none"> <li>◆ Ackerman, F., (2007). "Debating Climate Economics: The Stern Review vs. Its Critics"</li> <li>◆ Ropke, Inge (2013). "Sustainability transitions in the perspective of ecological macroeconomics".</li> <li>◆ James H. Brown et al. (2014). "Macroecology meets macroeconomics: Resource scarcity and global sustainability".</li> <li>◆ Yashaswini Dunga, Nancy Hardie, Stephanie Kelly, Jeremy Lawson (2019). "Social capitalism: Incorporating sustainability factors into macroeconomic analysis".</li> </ul>
Week 6: From The Long to the Short Run	Tuesday 10/04	<b>Financial Markets and Intertemporal Optimization</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How do long-term goals break down into short-term variations, and how does the financial system allow</li> </ul>	--

		economic agents to optimize over both horizons?	
	Thursday 10/06	<b>Midterm-1 Review</b>	◆ Midterm Study Guide
Week 7: The Short Run (I)	Tuesday 10/11	<b>Economic Fluctuations and Unemployment</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> What explains the short-term variation around the long-term trends, and what are the socio-economic costs of economic fluctuations?</li> </ul>	--
	Thursday 10/13	<b>Goods Market and Aggregate Demand</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How can we model short term fluctuations on the goods market?</li> </ul>	--
Week 8: The Short Run (II)	Tuesday 10/25	<b>The IS-LM Model (1)</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> When is the economy in equilibrium and how can policy-makers correct deviations from equilibrium?</li> </ul>	◆ De Vreoy, Hoover, (2004). "Seven Decades of the IS-LM Model".
	Thursday 10/27	<b>The IS-LM Model (2)</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> When is the economy in equilibrium and how can policy-makers correct deviations from equilibrium?</li> </ul>	--
Week 9: The Medium Run: The Labor Market	Tuesday 11/01	<b>The WS-PS Model</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How does the labor market work?</li> </ul>	--
	Thursday 11/3	<b>Labor, value and prices in the WS-PS Model</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> What is the role of labor in a capitalist production system and how does it relate to prices and capital payments?</li> </ul>	◆ Marx, Karl (1865). "Value, Price, and Profit"
Week 10: The Medium Run: The Employment Inflation Trade-Off	Tuesday 11/08	<b>From the Original to the New Philips Curve</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How has our understanding of the inflation/unemployment trade-off evolved over time?</li> </ul>	◆ Crump, R., Eusepi, S., Giannoni, M., Sahin, A. (2022). "The Unemployment-Inflation Trade-Off Revisited: The Phillips Curve in Covid Times" ◆ Smith, Gregor, (2006). Japan's Phillips Curve Looks Like Japan
	Thursday 11/10	<b>The New Philips Curve and the IS-LM-PC Model</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How does the inflation/unemployment trade-off inform macroeconomic policy?</li> </ul>	--

Week 11: Macroeconomic Policy in the IS- LM-PC Framework	Tuesday 11/15	<b>Applications of the IS-LM-PC Framework to Recent Economic Events</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How can we apply the IS-LM-PC model to understand the design of policy responses to recent economic shocks?</li> </ul>	--
	Thursday 11/17	<b>Heterodox Alternatives to the IS-LM-PC Framework</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> How do heterodox macroeconomic methodologies think about the inflation/unemployment trade-off?</li> </ul>	<ul style="list-style-type: none"> <li>◆ Kelton, S., (2022). "Inflation".</li> <li>◆ Kelton, S., (2022). "Bad Medicine".</li> <li>◆ Kelton, S., (2022). "<a href="#">The Deficit Myth</a>"</li> <li>◆ Tankus, N. (2022), "The New Monetary Policy"</li> <li>◆ Carnevali, E., Deleidi, M. (2020) "The Trade Off Between Inflation and Unemployment in an MMT World"</li> </ul>
Week 12: Capstone: International Macroeconomics	Tuesday 11/22	<b>The International Monetary and Trade System</b> <ul style="list-style-type: none"> <li>• <b>Question:</b> What must we be mindful of when trying to apply what we have learnt to international (non-US) contexts?</li> </ul>	<ul style="list-style-type: none"> <li>◆ Wilson Center (2007). "The Policy Space Debate"</li> <li>◆ Mayer, J. (2008). "Policy Space: What, For What, And Where?"</li> <li>◆ Chang, HJ. (2006). "Policy Space in Historical Perspective with Special Reference to Trade and Industrial Policies"</li> </ul>
	Thursday 11/24		
Week 13: Capstone: Economic Inequality	Tuesday 11/29	<b>Inequality vs. Growth</b> <ul style="list-style-type: none"> <li>• How does inequality impact growth, and can economic growth address inequality?</li> </ul>	<ul style="list-style-type: none"> <li>◆ Cook, L., Gerson, J. (2019). "The implications of U.S. gender and racial disparities in income and wealth inequality at each stage of the innovation process"</li> <li>◆ Cook, L., Richardson, N., Tankersley, J. (2021) "Can addressing inequality unleash economic growth?"</li> <li>◆ Ahn, S., Kaplan, G., Moll, B., Winberry, T., Wolf, C. "When Inequality Matters for Macro and Macro Matters for Inequality"</li> </ul>
	Thursday 12/01	<b>Midterm-2 Review</b>	◆ Midterm Study Guide
Week 14: Review & Chill	Tuesday 12/06	No new content is scheduled, to allow for review and make-up time if needed.	--