Econ 6306/70/Seminar in Macroeconomics:
Fall 2018
Dr. Rex Pjesky

Class Days/Times/Location or Other Format: Online
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Other: (Other optional information you wish to share, e.g., cell phone number, homepage, course prerequisites, etc., please remove from syllabus if not in use)

Terms of Use
A student’s continued enrollment in this course signifies acknowledgment of and agreement with the statements, disclaimers, policies, and procedures outlined within this syllabus and elsewhere in the WTClass environment. This Syllabus is a dynamic document. Elements of the course structure (e.g., dates and topics covered, but not policies) may be changed at the discretion of the professor.

WTAMU College of Business Mission Statement
The mission of the College of Business is to provide high quality undergraduate and graduate business education with a global perspective and ethical awareness. We accomplish this through emphasis on excellence in teaching, which is strengthened by faculty scholarship and supported by professional service.

Learning Objectives of the WTAMU College of Business Programs
The College of Business (COB) at West Texas A&M University (WTAMU) seeks to prepare students in the Bachelor of Business Administration (BBA), Master of Business Administration (MBA), Master of Professional Accounting (MPA), and the Master of Science, Finance and Economics (MSFE) degree programs for careers in business and to foster their professional growth and advancement via key learning goals and objectives.

The learning objectives of the College of Business are as follows:

- Leadership
- Communication
- Critical Thinking
- Business Integration
- Core Business Knowledge
- Global Business Environment
- Business Ethics and Corporate Governance
Course Description
This class is a seminar in macroeconomics. We will explore several major topics in macroeconomics (mainly) by reviewing the literature. We will interpret this literature through the lens of the learning goals of the COB: critical thinking, teamwork, communications, etc.

Course Objectives
1. Describe role of prices in forming a coordinated economic order
2. Characterize economic growth and describe the models economist use to think about economic growth
3. Evaluate the economic literature on unemployment and inflation
4. Evaluate the economic literature on current topics such as budget deficits and social security reform
5. Describe the policies that led to the current, ongoing financial crisis
6. Question the pros and cons of having various global financial institutions
7. Understand the role of money and monetary policy in the economy
8. Formulate and present own ideas about how the literature in economics relates to the world around us in personal and business settings.

Map from COB Learning Objectives to Specific Course Objectives
Each objective in Econ 6306 maps to the COB Learning Objective of Core Business Knowledge and Business Integration. Also, objective 6 maps to the COB “Global Business Environment” Learning Goal and objective 8 maps to the COB “Communication” Learning Goal.

Course Materials (Text, calculator, etc.)
There is no book for this class. We will be reading several major papers in the literature of economics and discussing them through various means. All the papers and other relevant materials can be found on the internet or will be provided to you by the instructor. Later in the syllabus, there will be links to all these articles for your convenience. There will be more material as we go, but here is what is scheduled:


Later in the syllabus, there are questions that will guide you through these readings. Many of these questions are adapted from “Discussing Economics: A Classroom Guide to Preparing Discussion Questions and Leading Discussion” by Michael K. Salemi and W. Lee Hansen.

**Course Grading Policies**

Your grade will consist of four parts: two tests (midterm and final), collaborative message boards, and class weekly assignments.

The tests will be what you’d expect. They will be essay questions. Weekly assignments will vary and are explained in detail later in the syllabus. Every few days I will post things to discuss on WTClass’ message boards and there will be open discussions on the weekly assignments. You’ll be required to respond to these discussions. These postings will vary and will depend on events in the world and how those events interact with the ideas that are part of this course.
Course Assignment, Examination, and or Project Policies

The course grade is determined by the student’s performance on the following opportunities:

Discussions on WTClass: 25 points
Weekly Assignments: 25 points
Mid Term Exam: 25 points
Final Exam: 25 points
Total: 100 points

Under no circumstances will extra credit be awarded, so make the most of these opportunities.

Discussion on WTClass.
Several times during the semester, I will post articles (usually gleaned from econ blogs or current news) for you to discuss. We will likely at least 2 of these per week. You do NOT have to discuss every article. When I figure your grade, I will only consider 2/3rds of the discussions in your grade. For example, if there are 51 message boards, I will consider your responses to 34 of them when figuring your grade. I understand that there will be times that each of you might not be able to engage in the class. This is to allow for that possibility. Message boards may only be active for 3 days of posting (72 hours.) I don’t want discussions to linger.

Weekly Assignments
Every week you have an assignment. Do what is asked and drop the assignment in the appropriate dropbox in WTClass. Flexibility is one of the advantages of an online class, so I am not too worried about due dates. If you get more than two weeks behind, let me know. Also know that the flexibility does not carry into the end of the semester, since I have my own due date for grades.

Mid-Term Exam
There will one midterm in this class. It will consist of essay questions and problems.

Final
The final will not be comprehensive. It is the same format and value as the midterm.

Make up Exams
No makeup exams will be offered.

Course Topics - Tentative Calendar of Readings, Topics, and Due Dates
See later in the syllabus for this information.

Additional Course Policies

Please do your own work.
WTAMU COB Student Code of Ethics
Each student enrolled in COB courses accepts personal responsibility to uphold and defend academic integrity and to promote an atmosphere in which all individuals may flourish. The COB Student Code of Ethics strives to set a standard of honest behavior that reflects well on students, the COB and West Texas A&M University. All students enrolled in business courses are expected to follow the explicit behaviors detailed in the Student Code of Ethics.

Code of Ethics
- Do not use notes, texts, solution manuals, or other aids for a quiz or exam without instructor authorization.
- Do not copy the work of others and/or allow others to view your answers or copy your work during a quiz, exam, or on homework assignments.
- Do not allow other parties to assist in the completion of your quiz, exam, homework, paper, or project when not permitted.
- Do not work with other students on projects or assignments without authorization from the course instructor.
- Properly cite and specifically credit the source of text, graphic, and web materials in papers, projects, or other assignments.

- Do not forge the signature of an instructor, advisor, dean, or another student.
- Provide truthful information for class absences when asking faculty for excused absences or for a make-up for a quiz, exam, or homework.
- Provide truthful information on your resume including work history, academic performance, leadership activities, and membership in student organizations.
- Respect the property, personal rights, and learning environment of all members of the academic community.
- Live up to the highest ethical standards in all academic and professional endeavors.

Students violating the Student Code of Ethics will be reported to the Dean’s office and are subject to penalties described in the West Texas A&M University Code of Student Life, which may include suspension from the University. In addition, a violator of the Student Code of Ethics may become ineligible for participation in student organizations sponsored by the COB and for recognition for College academic honors, awards, and scholarships.

COB Student Resources Link
The COB has developed a Student Resources repository (e.g., APA writing style information, business core reviews, facilities, and other helpful supplements), which can be found on the COB Website. Additionally, WTAMU has developed an Academic Study Skills information site to assist students (e.g., study habits, supplemental instruction, tutoring, writing and math skills), which can be found on the WTAMU Website. For WTAMU Writing Center information (for students needing writing assistance, guidance, and feedback), please
visit their [website](#).

### COB Communications Component

Students earning a BBA degree must complete at least one course with a communications component as part of the business core requirements. The COB communications component is a requirement in the following courses: **ACCT 4373 (Accounting Communications)**, **BUSI 4333 (Cross-Cultural Issues in Business Communications)**, **BUSI 4350 (Current Issues in Management Communications)**, **BUSI 4380 (Conflict Resolution and Negotiation)**, **BUSI 4382 (Emerging Media Law)**, **CIDM 3320 (Digital Collaboration and Communication)**, **ECON 4370 (Economics of Health Care)**, **FIN 3350 (Personal Financial Planning)**, **FIN 4320 (Investments)**, **FIN 4321 (Portfolio Theory)**, **MGT 3335 (Organizational Behavior)**, **MGT 4380 (Conflict Resolution and Negotiation)**, and **MKT 3342 (Consumer Behavior)**.

Students in a communications component course are explicitly required to demonstrate knowledge of communication skills. Specific objectives may include but are not limited to the following concepts put forth by the National Business Education Association: (1) ability to organize a written and an oral message coherently and effectively, (2) ability to use technology for communication, (3) ability to research a topic, prepare a report, and present the findings to all organizational levels, and (4) ability to demonstrate critical-thinking skills. Specific course requirements and the role of the communications component with respect to student grading policy are at the discretion of the course instructor of record.

### Student Travel Opportunities

In multiple business courses, there may be opportunities for student travel supplemented by student fees. If you have an interest in such opportunities as they become available, please notify a faculty member.

### Dropping/Repeating the Course

Should a student decide to drop the course, it is the student’s responsibility to be aware of the final drop dates and adhere to the WTAMU Add/Drop policy. Any student participating in the course after the WTAMU posted drop date will be considered active and a grade will be administered at the end of the course for that student. Students are charged a fee for any course attempted for a third or subsequent time at WTAMU other than a non-degree credit developmental course or exempted courses.

### Scholastic Dishonesty

It is the responsibility of students and instructors to help maintain scholastic integrity at the University by refusing to participate in or tolerate scholastic dishonesty. Commission of any of the following acts shall constitute scholastic dishonesty. This listing is not exclusive of any other acts that may reasonably be said to constitute scholastic dishonesty: acquiring or providing information for any assigned work or examination from any unauthorized source; informing any person or persons of the contents of any examination prior to the time the examination is given in subsequent sections of the course or as a makeup; plagiarism; submission of a paper or project that is substantially the same for two courses unless expressly authorized by the instructor to do so; submission of a paper or project prepared by another student as your own. You are responsible for being familiar with the University's Academic Integrity Code, as well as the COB Student Code of Ethics listed in this document.
Academic Integrity
All work must be completed individually unless otherwise stated. Commission of any of the following acts shall constitute scholastic dishonesty: acquiring or providing information for any assigned work or examination from any unauthorized source; informing any person or persons of the contents of any examination prior to the time the exam is given in any subsequent sections of the course or as a makeup; plagiarism; submission of a paper or project that is substantially the same for two courses unless expressly authorized by the instructor to do so. For more information, see the Code of Student Life.

Viewpoints/External Websites Disclaimer
The views expressed in this document, web-based course materials, and/or classroom presentations and discussions are those of the professor and do not necessarily represent the views of West Texas A&M University, its faculty and staff, or its students. Views expressed by students are likewise those of the person making such statements. It is understood and expected that each individual within this course will respect and allow individual difference of opinion.

Neither the professor, the COB, nor WTAMU are responsible for the content of external websites discussed in the classroom and/or linked to via online course materials, emails, message boards, or other means. Referred websites are for illustrative purposes only, and are neither warranted nor endorsed by the professor, COB, or WTAMU. Web pages change frequently, as does domain name ownership. While every effort is made to ensure proper referencing, it is possible that students may on occasion find materials to be objectionable for reasons beyond our control.

Acceptable Student Behavior
Classroom behavior should not interfere with the instructor’s ability to conduct the class or the ability of other students to learn from the instructional program (Code of Student Life). Unacceptable or disruptive behavior will not be tolerated. Students engaging in unacceptable behavior may be instructed to leave the classroom. Inappropriate behavior may result in disciplinary action or referral to the University’s Behavioral Intervention Team. This prohibition applies to all instructional forums, including electronic, classroom, labs, discussion groups, field trips, etc.

Technology Requirements
All technological requirements for the successful completion of this course are the responsibility of the student, including access to a working computer and or to a device with secure broadband Internet connection, data storage and retrieval, and state-of-the-art security. The student is responsible for all technological problems not related to WTAMU, including but not limited to equipment failures, power outages, and Internet breakdowns. Furthermore, students are responsible for all necessary technical and operational skills for completing this course, and for being familiar with WTClass (the Blackboard Learning System) both in a general sense and in a specific sense as pertaining to this course and any materials stored within. The professor is not responsible for any technical matters related to WTClass. Students must contact WTClass if they have problems accessing and/or using the WTClass environment.
Physical or Educational Access - ADA Statement
West Texas A&M University seeks to provide reasonable accommodations for all qualified persons with disabilities. This University will adhere to all applicable federal, state and local laws, regulations and guidelines with respect to providing reasonable accommodations as required to afford equal educational opportunity. It is the student’s responsibility to register with Student Disability Services (SDS) and to contact faculty members in a timely fashion to arrange for suitable accommodations. Contact Information: Student Success Center, CC 106; phone 806-651-2335.

Title IX Statement
West Texas A&M University is committed to providing a learning, working and living environment that promotes personal integrity, civility, and mutual respect in an environment free of sexual misconduct and discrimination. Title IX makes it clear that violence and harassment based on sex and gender are Civil Rights offenses subject to the same kinds of accountability and the same kinds of support applied to offenses against other protected categories such as race, national origin, etc. Harassment is not acceptable. If you or someone you know has been harassed or assaulted, you can find the appropriate resources here:
• WTAMU Title IX Coordinator Becky Lopez – Kilgore Research Center 147, or call 806.651.3199
• WTAMU Counseling Services – Classroom Center 116, or call 806.651.2340
• WTAMU Police Department – 806.651.2300, or dial 911
• 24-hour Crisis Hotline – 800.273.8255, or 806.359.6699, or 800.692.4039
• Visit the Notalone website
For more information, see the Code of Student Life.

WT Attendance Policy for Core Curriculum Classes
For the purposes of learning assessment and strategic planning, all students enrolled in Core Curriculum or developmental courses at West Texas A&M University must swipe their Buff Gold cards through the card reader installed in the classroom/lab for each class/lab meeting.

Evacuation Statement
If you receive notice to evacuate the building, please evacuate promptly but in an orderly manner. Evacuation routes are posted in various locations indicating all exits, outside assemble area, location of fire extinguishers, fire alarm pull stations and emergency telephone numbers (651.5000 or 911). In the event an evacuation is necessary; evacuate immediately do not use elevators; take all personal belongings with you; report to outside assembly area and wait for further information; students needing assistance in the evacuation process should bring this to the attention of the instructor at the beginning of the semester.

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All original content in this document, all web-based course materials (be they text, audio, and/or video), and/or classroom presentations are subject to copyright provisions. No distribution without the express written consent of the author. Students are prohibited from selling (or being paid for taking) notes during this course to or by any person or commercial firm without the express written permission of the professor.
Week 1
January 16th

I’ll send you several orientation emails this week. I’ll also post several things on the message boards to get you off to a good start.

Also note that every assignment will have a corresponding drop box in WTClass’ lessons section. Put your work in those.
Week 2
January 22
Hayek: The Use of Knowledge in Society

http://www.econlib.org/library/Essays/hykKnw1.html

Adapted from Michael K. Salemi
“The Use of Knowledge in Society”
F. A. Hayek

Discussion Questions
1. “The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess (H.3)”

a. What does Hayek mean by a “rational economic order”?
b. What does Hayek mean by “dispersed bits of incomplete and frequently contradictory knowledge”?
c. Why is Hayek critical of the common assumptions in economic analysis that buyers, sellers, producers and the economist all know every relevant thing about the economy?
d. What, in summary, does Hayek mean by the quoted statement?

2. What, according to Hayek, is the information needed to operate effectively in a complex market economy?
   a. What does Hayek mean by “planning”?
   b. What is the minimum information needed by economic planners and individuals?
   c. Does the minimum differ for planners and for individuals? How? Why?
   d. What happens when some individuals possess more information than other individuals?
   e. What does Hayek mean when he says (H.16) “...the sort of knowledge with which I have been concerned is knowledge of the kind which by its nature cannot enter into statistics and therefore cannot be conveyed to any central authority in statistical form”?
   f. Why, according to Hayek, can the “information problem” be solved by “the price system”? 
3. Why, according to Hayek, is the true function of the price system the communication of information?
   a. Why does Hayek use the term ‘marvel’ in his discussion of the economy of knowledge?
   b. What does Hayek mean when he says (H.26) “…man has been able to develop that division of labor on which our civilization is based because he happened to stumble upon a method which made it possible”? 
Week 3  
January 29

Read Robert Lucas’ “Some Macroeconomics for the 21st Century” in the Journal of Economic Perspectives. (Skip the appendix.)

http://www.econ.psu.edu/~aur10/Econ%20570%20Fall%202009/Lucas%20JEP%202000.pdf


http://www.econ.brown.edu/Faculty/David_Weil/Econ%202840/Lucas_Macroeconomics_for_the_21st_Century.pdf

Also, listen to this:


1. According to Lucas, why has the world’s economy grown so much since 1960?
2. According to Lucas, why do some nations grow faster than others?
3. According to Lucas, why will growth and inequality decrease in the next 100 years?
4. Is Lucas’ model in this paper “economics?”

Read Greg Mankiw, Romer and Wiel’s article in The Quarterly Journal of Economics.


1. Many economists think the Solow Growth Model is of limited use. (One of my professors at OU stated that it took economists 50 years to figure out that their growth model has nothing to do with growth.) But does the Solow model give “…the right answer to the questions it is designed to address?”
2. Why is human capital important when testing the Solow model against the data?
3. Explain how the authors conclude that the incomes of the world’s nations are converging?
Week 4  
February 5th

http://faculty.chicagobooth.edu/john.cochrane/research/papers/cochrane_growth.pdf

1. Why is growth important? (Two reasons, one refers to the public budget, the other does not.)
2. What is the source of growth? What is the only thing that matters in the long run? Why?
3. Why does Cochrane advocate pulling weeds? Why do not policy programs follow this strategy?
4. What is the difference between environmental regulation and economic regulation?
5. What is the difference between “deregulation” and “smart regulation?”
6. What evidence backs this claim: “Regulation did not fail for being absent. Regulation failed for being ineffective.”
7. How should regulation handle the debt finance/equity finance question?
8. List some of the contradictions in energy policy. What is the simple solution?
9. Why should corporate tax rates be zero? Who pays corporate taxes?
10. Briefly describe what tax policy should be.
11. What does Cochrane think about tax expenditures?
12. Why does our political system mix goals?
13. Why is “simple” important for the tax code?
14. What is the straightforward problem and solution to our debt and deficits?
15. Cochrane would not eliminate social programs, he would design programs that eliminated disincentives. What does this mean?
16. What does Cochrane think is becoming the norm in labor because of regulation?
17. Briefly sketch out Cochrán’s immigration plan.
18. Cochrán advocates school vouchers as education reform. Why?
19. Why should we sweat the small stuff?
20. What would Cochrán spend more money on?

http://www.iei.liu.se/nek/730g83/artiklar/1.328833/AkerlofMarketforLemons.pdf

This resource should help you:

http://www.slideshare.net/guestffda0/a-market-for-lemons-presentation

(Note: I do not like the term “market failure” in this context even though it is the conventional term in economics. What happens with the lemon’s problem that that some mechanism needs to be developed to be able to separate “lemons” from “plums.” If you ever get an opportunity to take me for Public Finance, we will address this fully. Nevertheless, since it is the jargon of economics, “market failure” is fine.)

The influence of this paper on Finance, Healthcare, education, and many other areas is huge. This paper is very seminal.

It does have some math in it. The questions I ask below do not require you to understand or follow the math in the paper. The math looks intimidating, but it is really quite easy. Don’t spend too much time going through it. The simplicity of the math is really genius. This paper basically won Akerlof the nobel prize, and the math in it is something that first year econ PhD student could derive today. (Another example is John Nash’s paper about the prisoner’s dilemma, but that one is beyond the scope of this class.)

A further note about the paper: it was published in 1970, so some of the concepts are way out of date. Medicare, for example, was a brand new policy in 1970. Furthermore, in section B about the hiring of minorities, think about how much we have progressed (or perhaps not) on this front since 1970. (This might be a good question for you to consider quite a bit on your own. This is not the focus of this class, so I won’t as you a question formally. I’m also not qualified to judge your answers anyway. But consider your opinion about how “race” relations have advanced over the last 45 years. What is better? What isn’t? What has facilitated these changes? What can society do further?)

Questions (finally):

1. Use the example of credit in developing countries to define “asymmetric information.” Much credit (at least in 1970) in developing nations was given only to people that had some prior relationship with the lender (e.g. the boat anchor example) and I’d guess that this was true in the US in 1970 as well.
However, credit scoring is now a common way to supplement methods of determining who gets credit. What do you think of this?

2. Why is the cost of dishonesty greater than simply the amount that people are cheated?

3. How did Medicare solve the lemons problem? How do certified used cars solve it? How do “good old boys” networks solve it?

4. Explain carefully from the examples in sections IIB and IIC support the Akerlof’s conclusion that asymmetric information is the source of market failure.

Read Krugman’s paper on unemployment


1. What is the difference between structural and cyclical unemployment? In this context, what is the difference between Europe and the US? What is the evidence that Krugman uses to back his opinion?

2. What is the natural rate of unemployment? Why is it higher/rising in Europe? Again, what is the evidence?

3. What is the relationship between the rising unemployment in Europe and the rise in inequality in the US? (What does Krugman mean by inequality?)

4. What is NOT to blame for either the rise in unemployment or inequality?

5. What policies, if any, can be put into place to combat rising inequality/unemployment?
Week 6
February 19

Read Thomas Sargent’s paper about the credibility of “Reaganomics.”

http://minneapolisfed.contentdm.oclc.org/cdm/ref/collection/p15334coll1/id/366

http://minneapolisfed.contentdm.oclc.org/cdm/singleitem/collection/p15334coll1/id/366/rec/1

You might like this:

http://www.ispot.tv/ad/7Lj9/ally-bank-predictions-featuring-thomas-sargent

1. What is a dynamic game?
2. Why should we think of monetary and fiscal policy as dynamic game? Who are the players and what are the strategies?
3. When are government budgets inflationary? (Again, think in terms of a game.)
4. What are the consequences if the monetary authority does not coordinate with fiscal policy agents?
5. Has Sargent done of good job characterizing the interplay between policymakers in the government, the central bank, and the public?
6. What is the connection between policy coordination and credibility?

Read Laurence Kotlikoff’s paper about privatizing social security

http://research.stlouisfed.org/publications/review/98/03/9803lk2.pdf

1. Would privatization increase or decrease generational equity? How does Kotlikoff use the concept of Pareto efficiency to answer this question?
2. Would privatization increase or decrease efficiency?
3. What is the “A-K” model? How is it used in this paper?
4. What do you think? Are you convinced?
Listen to Russ Robert’s talk with Paul Romer and answer the questions.
The link to the podcast is:

1. Why is growth important?
2. Is there a “moral” component to growth? In other words, is growth “good”?
3. Why is China growing fast?
4. Why did (is) the US grow(ing) faster than the UK?
5. Do we “need” to be the leader in every (or any) technology?
6. Contrast what could be called the “economics of ideas” with the “economics of physical stuff.”
7. Does Romer prefer the word “produce” or “rearrange?” Explain.
8. What did Romer say about the Soviet Union and diminishing returns?
9. Why are new ideas (and more people looking for new ideas) important?
10. Why do market economies outperform planned economies?
11. “Everyone favors growth but rejects change.” Comment
12. Why is there no “tragedy of the commons” in ideas?
13. What is the difference between property rights for an idea and property rights for, say, land?
14. How do we provide both efficiency in the realm of ideas and give people an incentive to create them? Why might there be a conflict?
15. Many people think that workers for multinational corporations in developing countries are exploited. (The worker in a Nike shoe factory, for instance.) What does Romer say about this?
16. Many people think that a pair of 150 Nikes made by someone who is poor compared to the buyer of the shoes represents a horrible immoral thing in our society. What does Romer say about this?
17. Do 200,000,000 Indian business people, scientists, and engineers threaten you?
18. Why is free trade so important?
19. Should we be optimistic?
Week 8
March 5th

Your Exam will be due on the 11th.
Week 9
March 12

Spring Break!
Read Arnold Kling’s history of the policies that created the great recession


1. What does Kling think caused the Financial Crisis of 2008? (Use only one sentence.)
2. One page 2 (page 14 of the pdf), what is “the fact?” and what does this “fact” mean to you?
3. Briefly summarize the four components of the Financial Crisis.
4. On page 12 (page 24 of the pdf), Kling states, “These property bubbles (in the U.K. and Spain) cannot be blamed on U.S. policy.” How confident are you on that point? Is Kling wrong?
5. Kling’s matrix of causes, gives almost all weight to what two factors? What three factors are almost completely not responsible?
6. Many have blamed designer financial (my term) like CDS and CDO and the shadow banking system for the collapse. How do these fit into Kling’s narrative?
7. Outline the progression of policy that caused/responded to economic conditions in the 30s, 70s and 80s and 00s.
8. What role did the mortgage interest deduction have on housing market?
9. What institution invented and allowed the expansion of mortgage-backed securities?
10. What is regulatory arbitrage?
11. Why did the Basel agreement create an advantage for mortgage securitization?
12. Did the Federal Reserve (and presumably other regulatory agencies know and even encourage regulatory capital arbitrage? What author does Kling cite to establish this?
13. What did the 2002 modification of the Basel Rules do to capital requirements? (See figure 4)
14. Summarize the Shadow Regulatory Committee’s statement 160.
15. Did non market institutions, such as the IMF and Bernanke, think, in 2006, that financial innovation had made the banking sector more or less fragile?
16. What is time inconsistency? (You can look this up elsewhere.)
17. How might “barriers to entry” be related to “safety and soundness?”
18. How did credit scoring and credit default swaps enlarge the mortgage securities market?
19. Why, up until 2007, did we think that monetary expansion was all that was needed to mitigate the impact of financial crises?
20. Suppose that financial markets are inherently unstable. What does this mean are two goals of regulation and regulators?
21. Why are type two errors so problematic? (Two reasons.)
22. How could we make the banking sector easy to fix?
Week 11

March 26

Choose one set of podcasts. Write a 750 word in the style of an “op ed” that advocates for the ideas of the participants. (An op ed is a short piece that is designed to persuade a reader and advocate a particular opinion.)

Health care and the role of empirical research on policy:

http://www.econtalk.org/archives/2013/05/jim_manzi_on_th.html
http://www.econtalk.org/archives/2013/05/frakt_on_medica.html

The future of the US economy:

http://www.econtalk.org/archives/2013/11/joel_mokyr_on_g.html
http://www.econtalk.org/archives/2011/02/cowen_on_the_gr.html

Marketing and Supply Chain issues and the economics of free. (Great for MBA students)

http://www.econtalk.org/archives/2008/05/chris_anderson_1.html

Economics and Entrepreneurship (also great for MBA students)

http://www.econtalk.org/archives/2008/01/munger_on_the_n.html
Week 12
April 4th

Read John Taylor’s article about monetary transmission mechanisms.

http://web.econ.unito.it/bagliano/ecmon_readings/taylor_jep95.pdf

Also, to understand traditional monetary policy, listen to this:

http://www.econtalk.org/archives/2008/08/john_taylor_on.html

These questions refer to the article, not the podcast.

1. How does monetary policy (or changes in monetary policy) affect output and inflation? In other words, what is the monetary policy transmission mechanism?
2. What is the importance of financial market prices in Taylor’s view?
3. What is the importance of rational expectations and rigidities in the prices of labor and goods?
4. What is a reaction function? Why is a reaction function important?
5. What is an “optimal monetary policy rule?”
6. Has the monetary transmission mechanism changed? How?
7. What are the criticisms of Taylor’s views? How does he respond? What do you think?

Read Lucas’ Noble lecture on monetary neutrality.


1. What are Hume’s two principles about modern monetary theory?
2. Why should economists use general equilibrium rational expectations models to explain what Hume described?
3. Does the data agree with Hume?
4. According to Lucas, why does an increase in monetary growth stimulate the economy?
5. Is Lucas’ idea much different than others you’ve studied in macro courses?
Week 13
April 11th

Read Mishkin’s article about global financial instability.

http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.13.4.3

1. What is a financial crisis?
2. How did adverse selection and moral hazard contribute to the financial crisis in Mexico and East Asia in the 1990s? What are adverse selection and moral hazard?
3. Did irresponsible monetary and fiscal policy contribute to the crisis in the 90s? Why or why not?
4. How is it possible for the IMF to help in a crisis when a domestic central bank might not be able to help.
5. What should the US learn (or have learned??) from the crisis in the 90s?

Read Rogoff’s article about global financial instability.

http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.13.4.21

http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.13.4.21 Answer the questions and place the answers in the appropriate drop box in WTClass.

1. According to Rogoff, is the status quo in international lending viable or not? Explain.
2. Can the IMF handle international financial crises? Why or why not?
3. Rogoff gives six solutions to save the global financial system (deep pockets lender of last resort, an international financial crisis manager, an international bankruptcy court, an international regulator, international deposit insurance corporation, and a world monetary authority.) What is wrong with all of these?
5. What will be (should be) the role that equity financing play in developing country projects?
Week 14
Final.
* Syllabus template approved by COB Curriculum Committee May 2017. Annual review of the syllabus is a formal part of the COB continuous improvement process.