

**THE NEW SCHOOL FOR SOCIAL RESEARCH
DEPARTMENT OF ECONOMICS**

**GECO 6191
Spring 2020**

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Graduate Macroeconomics

Syllabus

1. **Course Description:** This course focuses on history of macroeconomics, tools and mechanisms to understand economic fluctuations, and business cycles, labor market and Phillips curve, unemployment, inflation, expectations and the role of the financial market for the macroeconomy, classical and recent growth theory, growth and distribution, monetary and fiscal policies, sovereign debt, and open economy dynamics.
2. **Learning Outcomes:** 1) Critically evaluating and extending macroeconomics studies, 2) Derivation of the basic mainstream and non- mainstream macro models, 3) Acquiring modern tools to understand macroeconomic dynamics, 4) Empirical qualifications to evaluate empirical models in macroeconomics, 5) Developing research topics in macroeconomics.
3. **Requirements and exams:** There will be midterm and final exams as well as weekly exercises, discussed in lab sessions. Exercises will count for 20% of the grade.
4. **For guidelines on academic honesty,** see www.newschool.edu/WorkArea/DownloadAsset.aspx?id=81698

The following **books** that integrate theoretical and empirical studies in macroeconomics are useful for the class:

The **main textbook** will be Olivier Blanchard, Macroeconomics, 7th edition (2016), or latest edition (earlier editions are less costly and can also be used, one or two chapters are new, in the recent edition), recent edition: Pearson Education. An introductory book into Macroeconomics is N.G: Mankiw, Macroeconomics, (2010, 7th edition, or later edition), Worth Publishers. A more advanced text book is D. Romer (2011, 4th edition, or later edition), Advanced Macroeconomics. McGraw-Hill. My papers on current macroeconomic issues can be found at: <http://ssrn.com/author=22501>, at SSRN, or on my CV, dept. website). There will also be additional material on CANVAS. On current macroeconomic debates, see <http://voxeu.org/debates>.

Detailed Lecture Notes: Lecture notes on each lecture will be sent out one day before the class meets and they will be posted on the blackboard. The topic, outline and shorter list of references will be stated in the Lecture Notes to be sent to you before the class. The readings with * are required.

I. The Macroeconomics of Economic Fluctuations

1. Goods, Money and Financial Markets (IS-LM, AS-AD, and more)

*Blanchard, op. cit, **Lecture 1:** chs. 1-2, **Lecture 2:** chs. 3-6.

N. G. Mankiw (2010), *Macroeconomics*, Worth Publishers, New York, chs. 1-3, chs 4-6, chs. 9-11.

D. Romer (2011), McGraw-Hill, ch. 5.

J. M. Keynes, *The General Theory of Employment, Interest, and Money* (Harcourt Brace, 1936)

N. Kaldor (1940): "A Model of the Trade Cycle", *Economic Journal*, 50: 8-92

M. Kalecki, *Selected Essays on the Dynamics of the Capitalist Economy* (Cambridge, 1971)

C. Kindleberger, *Manias, Panics and Crashes* (Wiley, 2000)

H. Minsky, *John Maynard Keynes*, (1978)

R. Goodwin (1967): "A Growth Cycle," in C. H. Feinstein (ed.) *Socialism, Capitalism, and Growth*

More advanced readings;

P. Flaschel, Franke, R. and W. Semmler (1997), *Dynamic Macroeconomics, Instability, Fluctuations and Growth in Monetary Economies*, MIT Press, chs.1-4. particularly ch. 4, see also: L. Bernard, A. Gevorkyan, T. Palley and W. Semmler (2011): "Time Scales and Mechanisms of Economic Cycles: The Contributions of Kondratieff, Kuznets, Schumpeter, Kalecki, Goodwin, Kaldor and Minsky", *Review of Keynesian Economics*, Vol. 2 No. 1, Spring 2014, pp. 87–107.

See also, C. Chiarella, P. Flaschel and W. Semmler (2015): "Reconstruction of Keynesian Macroeconomics, vol 3, Macroeconomic Activity, banking and financial Markets, Routledge, and Chiarella et al (2011), Keynes, the Dynamic Stochastic General Equilibrium Model, and the Business Cycle," R. Kuroki, ed, *Keynes and Modern Economics*, Routledge

2. Labor Market, Unemployment and the Phillips Curve

*Blanchard, *Macroeconomics*, op. cit, **Lecture 3:** chs. 7-8 and ch. 23, **Lecture 4:** and chs. 8-9.

A. W. Phillips, "The Relation between Unemployment and the Rate of Change of Money Wage Rates....," *Economica*, 1958

Gordon`s "History of the Phillips Curve" (2011): <http://faculty-web.at.northwestern.edu/economics/gordon/researchhome.html>

M. Gross and W. Semmler (2016), "Mind the output gap: The disconnect of growth and inflation during recessions and convex Phillips curves in the euro area", ECB working paper, No 2004, Jan 2017, forthcoming in OBES.

N.G. Mankiw, *Macroeconomics*, chs. 5 and 11.

D. Romer, *Advanced Macroeconomics*, chs. 5 and 10.

W. Semmler, W. Zhang and A. Greiner (2005), *Monetary and Fiscal Policy in the Euro-Area: Macro Modelling, Learning and Empirics*, Elsevier, chs. 1-5

R. Goodwin (1967): "A Growth Cycle", R. Goodwin (1967) "A Growth Cycle," in C. H. Feinstein (ed.) *Socialism, Capitalism, and Growth*, see also sect. III

3. Unemployment: Facts and Theories

*Blanchard, *Macroeconomics*, op. cit, chs. 7-9, ch. 23, and a handout, based on an older edition of Blanchard, to be given in the class, **Lecture 5**

D. Romer, ch. 10

II. Further Issues in Macroeconomics

1. Disinflation, Inflation and Stabilization Policy

*Blanchard, *Macroeconomics*, op. cit, ch. 9., ch. 2, and chs. 21-24.

N. G. Mankiw, *Macroeconomics*, ch. 6.

D. Romer, *Advanced Macroeconomics*, ch. 9.

2. Expectations, Asset Pricing, Consumption, Investment

*Blanchard, *Macroeconomics*, op. cit, chs. 14-16, **Lecture 6**

N.G. Mankiw, *Advanced Macroeconomics*, ch. 15 and 17.

D. Romer, ch. 7

W. Semmler, W. Zhang and A. Greiner (2005), *Monetary and Fiscal Policy in the Euro-Area: Macro Modeling, Learning and Empirics*, Elsevier, ch. 8

III. Economic Growth and Income Distribution

1. The Solow Model

Lecture 7A

*Blanchard, *Macroeconomics*, chs. 10-13.

N. G. Mankiw, D. Romer and D. N. Weil (1991), *Contributions to the Empirics of Economic Growth*, *Quarterly Journal of Economics*, 107, 407-438.

2. Recent Growth Theory

Lecture 7B

*Ch. Jones (1998), *Introduction to Economic Growth*, W.W. Norton Company, New York, chs. 1-3, chs. 4-9.

A. Greiner, W. Semmler and G. Gong (2005), *The Forces of Economics Growth: A Time Series Perspective*, chs. 1-2 and chs. 3-7, Princeton University Press, Princeton.

P. Flaschel, Franke, R. and W. Semmler (1997), *Dynamic Macroeconomics*, op. cit. chs. 4-5.

3. Classical Growth Theory

Lecture 7C

D. Foley and T. Michl (1999), *Growth and Distribution*, Cambridge, Harvard University Press, chs. 1-3.

L. Pasinetti (1978), *Growth and Income Distribution, Essays in Economic Theory*, Cambridge University Press, Cambridge.

+N. Kaldor (1965), *Capital Accumulation and Economic Growth*, F. Lutz and D. Hague (eds), *Theory of Capital*, London, MacMillan

*H. Y. Wan (1971), *Economic Growth*, chs. 1-3, New York, Harcourt.

4. Challenges to the Labor Market and Income Distribution

*Blanchard, *Macroeconomics*, op. cit. chs. 11-13. **(additional lecture, if time allows)**

A. Greiner, W. Semmler and G. Gong (2005), *The Forces of Economics Growth* op. cit. ch. 7.

N. Kaldor (1956), *Alternative Theories of Distribution*, *Review of Economic Studies*, vol. 23, 83-100.

M. Kalecki (1951), *The Distribution of National Income*, in, Richard Irwin (ed) *Readings in the Theory of Income Distribution*.

A. Greiner, W. Semmler and J. Rubart (2004), *Economic Growth, Skill-Biased Technical Change and Wage Inequality: A Model and Estimations for the U.S. and Europe*, *Journal of Macroeconomics*, 26, 597-621.

IV. Policy Issues, Financial Crisis, and Open Economy

1. Financial Market and Financial Crisis

*Blanchard, chs. 6, 9, ch. 24, **Lecture 8**

C. Kindleberger, *Manias, Panics and Crashes* (Wiley, 2000), see also H. Minsky (1978)

W. Semmler (2011), Asset Prices, Booms, and Recessions, Chs. 19-22

W. Semmler and L. Bernard (2012), Boom-Bust Cycles: Leveraging, Complex Securities and Asset Prices, Journal of Economic Behavior and Organization, 81: 442-465, see also my papers on <http://ssrn.com/author=22501> at SSRN

2. Fiscal and Monetary Policies and Budget Deficits

*Blanchard, Macroeconomics, op. cit, ch, 21-24, **Lecture 9.**

N. G. Mankiw, Macroeconomics, ch. 16.

S. Mitnik and W. Semmler (2012), “Regime Dependence of the Multiplier”, Journal of Economic Behavior and Organization, 2012: 83, 502–522

W. Semmler and A. Semmler (2013), “The Macroeconomics of the Fiscal Austerity in Europe”, IMK working paper, no 122, 2013, also a SSRN paper

3. Open Economy Dynamics

*Blanchard, Macroeconomics, op. cit., chs. 17-20, **Lecture 10.**

N. G. Mankiw, Macroeconomics, ch. 7.