

Department of Economics  
University of Toronto  
Summer 2015

# ECO 407

## Competing Views in Macroeconomic Theory and Policy

TR10-1 – WO 35

### INSTRUCTOR

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### OFFICE HOURS

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Monday, 3:00 – 4:00 PM

### COURSE DESCRIPTION

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This course provides students with a systematic analysis of competing perspectives on key areas of macroeconomic theory and policy. The aim of the course is to help economics students develop their critical skills by highlighting the strengths and weaknesses of current macroeconomic theory as articulated by their defenders and critics. Special attention will be paid to competing views regarding key fiscal, monetary, and trade policy issues as applied to Canada.

### REQUIRED TEXTBOOKS

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- Hassan Bougrine and Mario Seccareccia, *Introducing Macroeconomic Analysis: Issues, Questions, and Competing Views*. Toronto: Emond Montgomery Publications Ltd., 2010.
- Ha-Joon Chang, *23 Things They Don't Tell You about Capitalism*. New York: Bloomsbury Press, 2010.

### COURSE REQUIREMENTS

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- **Critical Reflection I** – A written **critical reflection** on an economics article to be assigned on **May 14**. Submission will be due at the beginning of class on **May 21**. The Critical Reflection should be 800-1000 words in length (3-4 double-space pages). **Late penalty: 5 percentage points per day.**
- **Critical Reflection II** – A written **critical reflection** on an economics article to be assigned on **May 21**. Submission will be due at the beginning of class on **May 28**. The Critical Reflection should be 800-1000 words in length (3-4 double-space pages). **Late penalty: 5 percentage points per day.**
- **Term Paper** – This essay will be on a specific topic to be assigned on **May 28**. The Term Paper will be due at the beginning of class on **June 18** and should be about 4,000 words in

### Guidelines on Writing the Critical Reflections

1. This assignment involves the submission of a critical reflection on the assigned article.
2. The critical reflection should be no more than 3-4 pages in length (about 900 words). The emphasis is on concise, focused thought. You need to identify the author's *main* thesis, and respond critically to that thesis. The latter implies that you must take a clear and coherent position on the issues discussed. You must, therefore, advance your own thesis statement which will serve as the guiding framework of your critical reflection.
3. You will receive a brief, written evaluation of your submissions within two weeks. The evaluation will be based on the following criteria:
  - effectiveness in taking a clear and critical position on issues
  - capacity to synthesize complex ideas
  - clarity and conciseness of expression.

length (about 16 double-space pages). **Late penalty: 5 percentage points per day.**

- **Final exam** – An exam covering the term's work will be written during the regular examination period (**June 22-26**).
- **Class participation** – Participation in class discussions will also form part of the total mark. Students must read the required readings in advance in order to have a stimulating discussion.

## **COURSE EVALUATION**

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The breakdown of the term grade will be as follows: 1) each of the two critical reflections will count for 12.5% of the final mark; 2) the term paper will count for 30% of the final mark; 3) the final exam will count for 35% of the final mark; and 3) class participation will count for the other 10% of the final mark.

## **GUIDELINES FOR WRITING THE TERM PAPER**

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There are several Writing Centres at the University of Toronto where you can receive helpful information to guide you in writing an academic essay. A list of these Writing Centres can be accessed at <http://www.writing.utoronto.ca/writing-centres/centres>. More general advice on academic essay writing can also be electronically accessed at <http://www.writing.utoronto.ca/advice/general/general-advice>.

### Submission of Critical Reflections and Term Paper to Turnitin.com

Note that, in addition to providing a hard copy, students will be asked to submit their critical reflections and term papers to Turnitin.com for the detection of possible plagiarism. The detailed procedures for submission will be announced later.

The University requires that the following paragraph be included in the syllabus of all courses using Turnitin.com:

*Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site.*

Please note that you are not obligated to submit your critical reflection and/or paper to Turnitin.com. If you object to submit them to Turnitin.com, let me know by **May 19** and I will offer you a reasonable offline alternative.

## ACADEMIC INTEGRITY

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Academic integrity is one of the cornerstones of the University of Toronto. It is critically important both to maintain our community which honours the values of honesty, trust, respect, fairness and responsibility and to protect you, the students within this community, and the value of the degree towards which you are all working so diligently.

According to Section B of the University of Toronto's *Code of Behaviour on Academic Matters* ([www.utoronto.ca/govcncl/pap/policies/behaveac.html](http://www.utoronto.ca/govcncl/pap/policies/behaveac.html)) which all students are expected to know and respect, it is an offence for students:

- To use someone else's ideas or words in their own work without acknowledging that those ideas/words are not their own with a citation and quotation marks, i.e. to commit plagiarism.
- To include false, misleading or concocted citations in their work.
- To obtain unauthorized assistance on any assignment.
- To provide unauthorized assistance to another student. This includes, for instance, showing another student an answer in a test.
- To submit their own work for credit in more than one course without the permission of the instructor.
- To falsify or alter any documentation required by the University. This, includes, but is not limited to, doctor's notes.
- To use or possess an unauthorized aid in any test or exam (e.g., a cell phone).
- To submit a medical note to get out of a test when the student is not actually sick.
- To continue writing when the time is up in any test or exam.

There are other offences covered under the Code, but these are by far the most common. Please respect these rules and the values which they protect.

## COURSE OUTLINE AND READING ASSIGNMENTS

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This outline identifies required readings for each topic (\*) plus select supplementary readings. You should find the latter useful in preparing your critical reflection and essay and following up on a subject which particularly interests you. Newspaper or magazine articles might also be added as helpful, supplementary readings from time to time. Obviously, you must read the required readings each week if we are to have a stimulating class discussion.

### 1. *The Market System and the Public Sector (May 12)*

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\*Watson, W., "Let the Market Work! The Market and the Public Sector," in *Introducing Macroeconomic Analysis*, Chapter 1, pp. 9-21.

\*Prasch, R., "Market, States, and Exchange: An Introduction to Economics," in *Introducing Macroeconomic Analysis*, Chapter 1, pp. 22-32.

\*Chang, H.J., "There Is No Such Thing as a Free Market," in *23 Things They Don't Tell You about Capitalism*, Chapter 1, pp. 1-10.

\*Chang, H.J., "We Are Not Smart Enough to Leave Things to the Market," in *23 Things They Don't Tell You about Capitalism*, Chapter 16, pp. 168-177.

#### Supplementary Readings:

Baker, D., *The Conservative Nanny State: How the Wealthy Use the Government to Stay Rich and Get Richer*. Washington, DC: Center for Economic and Policy Research. (Available online at <http://www.conservativenannystate.org>.)

Bowles, S., "What Markets Can—and Cannot—Do," *Challenge*, Vol. 43, No. 4, 1991, pp. 11-16.

Chang, H.J., *Kicking Away the Ladder*. London: Anthem Press, 2002.

Galbraith, J.K., *The Predator State: How Conservative Abandoned the Free Market and Why Liberals Should Too*. New York: Free Press, 2008.

- Hahnel, R., "The Case against Markets," *Journal of Economic Issues*, Vol. 41, No. 4, 2007, pp. 1139-1159.
- Landes, D., *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*. New York: Norton, 1997.
- Mazzucato, M., *The Entrepreneurial State: Debunking Public vs. Private Sector Myth*. London and New York: Anthem Press, 2013.
- Minsky, H., *Stabilizing an Unstable Economy*. New Haven, CT: Yale University Press, 1986.
- Prasch, R.E., *How Markets Work: Supply, Demand and the Real World*. Northampton, MA: Edward Elgar, 2008.
- Reinert, E.S., "The Role of the State in Economic Growth," in P.A. Toninelli (ed.), *The Rise and Fall of State-Owned Enterprise in the Western World*, pp. 73-99. Cambridge: Cambridge University Press, 2000.
- Shafaeddin, M., "How Did Developed Countries Industrialized? The History of Trade and Industrial Policy: The Case of Great Britain and the USA," Discussion Paper No. 139, Geneva, UNCTAD, 1998. (Available online at [http://www.unctad.org/en/docs/dp\\_139.en.pdf](http://www.unctad.org/en/docs/dp_139.en.pdf).)
- Stiglitz, J.E., "The Lessons of the North Atlantic Crisis for Economic Theory and Policy," in G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned? Macroeconomic Policy after the Crisis*, pp. 335-347. Cambridge, Mass: IMF and MIT Press, 2014. (Available online at <http://blog-imfdirect.imf.org/2013/05/03/the-lessons-of-the-north-atlantic-crisis-for-economic-theory-and-policy/>.)
- Taylor, L., *Maynard's Revenge: The Collapse of Free Market Economics*. Cambridge, Mass: Harvard University Press, 2010.
- Weiss, L., "The Myth of the Neoliberal State," in C. Kyung-Sup, B. Fine and L. Weiss, eds., *Developmental Politics in Transition*, pp. 27-42. Houndmills, England: Palgrave MacMillan, 2012.

## 2. *The Theory of Money* (May 14)

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**[Note: Article for *Critical Reflection I* to be assigned.]**

- \*Andolfatto, D., "The Theory of Money," in *Introducing Macroeconomic Analysis*, Chapter 2, pp. 35-48.
- \*Smithin, J., "The Importance of Money and Debt-Credit Relationships in the Enterprise Economy," in *Introducing Macroeconomic Analysis*, Chapter 2, pp. 49-60.
- \*Wray, L.R., "Money," Working Paper No. 647, Levy Economics Institute of Bard College, December 2010. (Available online at [http://www.levyinstitute.org/pubs/wp\\_647.pdf](http://www.levyinstitute.org/pubs/wp_647.pdf).)

### Supplementary Readings:

- Arestis, P. and M. Sawyer (eds.), *A Handbook of Alternative Monetary Economics*. Cheltenham, U.K.: Edward Elgar, 2006.
- Davidson, P. *Money and the Real World*. London: Macmillan, 1978.
- Diamond, D., "Banks and Liquidity Creation: A Simple Exposition of the Diamond-Dybvig Model," *Economic Quarterly*, Vol. 93, No. 2, 2007, pp. 189-200.
- Godley, W. and M. Lavoie, *Monetary Economics*, second edition. New York: Palgrave Macmillan, 2012.
- Hicks, J., *A Market Theory of Money*. Oxford: Oxford Press, 1989.
- Ingham, G., *The nature of Money*. Cambridge: Polity Press, 2004.
- Kiyotaki, N. and J. Moore, "Evil Is the Root of All Money," *American Economic Review*, Vol. 92, No. 2, 2002, pp. 62-66.
- Martin, F., *Money: The Unauthorised Biography*. London: The Bodley Head, 2013.
- Ostroy, J., "The Informational Efficiency of Monetary Exchange," *American Economic Review*, Vol. 63, 1973, pp. 597-610.
- Smithin, J. (ed.), *What is Money?* London: Routledge, 2000.

Wray, L.R., *Understanding Modern Money: The Key to Price Stability and Full Employment*. Cheltenham: Edward Elgar, 1998.

Wray, L.R., "What is Money? Conclusions on the Nature of Money," in his *Modern Money Theory*, Chapter 8, pp. 261-281. Houndmills, England: Palgrave Macmillan, 2012.

### **3. The Determinants of Consumption and Saving (May 19)**

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\*Bodkin, R.G., "Consumption Theory at the Turn of the Millennium," in *Introducing Macroeconomic Analysis*, Chapter 3, pp. 65-78.

\*Seccareccia, M., "The Determinants of Consumption and Saving from a Heterodox Perspective," in *Introducing Macroeconomic Analysis*, Chapter 3, pp. 79-88.

\*Frank, R.H., "The Mysterious Disappearance of James Duesenberry," *The New York Times*, 9 June 2005. (Available online at <http://www.robert-h-frank.com/PDFs/ES.6.9.05.pdf>.)

#### Supplementary Readings:

Akerlof, G.A., "The Missing Motivation in Macroeconomics," *American Economic Review*, Vol. 97, No. 1, 2007, pp. 5-36.

Ando, A. and F. Modigliani, "The 'Life-Cycle' Hypothesis of Saving: Aggregate Implications and Tests," *American Economic Review*, Vol. 53, March 1963, pp. 55-84.

Bodkin, R.G., "Windfall Income and Consumption," *American Economic Review*, Vol. 49, September 1959, pp. 602-14.

Chawla, R.K., "Spending Patterns in Canada and the US," *Perspectives on Labour and Income*, Statistics Canada, September 2007, pp. 18-27. (Available online at <http://www.statcan.gc.ca/pub/75-001-x/2007109/article/10351-eng.pdf>.)

Friedman, M., *A Theory of the Consumption Function*. Princeton, NJ: Princeton University Press, 1957.

Lindner, F., "Does Saving Increase the Supply of Credit? A Critique of Loanable Funds Theory," *World Economic Review*, Vol. 4, February 2015, pp. 1-26. (Available online at <http://wer.worldeconomicsassociation.org/files/WEA-WER-4-Lindner.pdf>.)

Seccareccia, M., "Growing Household Indebtedness and the Plummeting Saving Rate in Canada: An Explanatory Note," *Economic and Labour Relations Review*, Vol. 16, No. 1, 2005, pp. 133-151.

### **4. The Determinants of Investment (May 21)**

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**[Note: Critical Reflection I is due. Article for Critical Reflection II to be assigned.]**

\*Scarth, W., "What Drives Investment? An Orthodox Perspective," in *Introducing Macroeconomic Analysis*, Chapter 4, pp. 91-100.

\*Stanford, J., "What Drives Investment? A Heterodox Perspective," in *Introducing Macroeconomic Analysis*, Chapter 4, pp. 101-116.

\*Chang, H.J., "Companies Should *Not* Be Run in the Interest of Their Owners," in *23 Things They Don't Tell You about Capitalism*, Chapter 2, pp. 11-22.

\*Chang, H.J., "Capital Has a Nationality," in *23 Things They Don't Tell You about Capitalism*, Chapter 8, pp. 74-87.

#### Supplementary Readings:

Coen, R.M., R. Eisner, F. Rondina and S.N. Durlauf, "Investment," in S.N. Durlauf and L.E. Blume, eds., *The New Palgrave Dictionary of Economics Online*, 2008. (Available online at <http://www.dictionaryofeconomics.com/dictionary>.)

Dornbusch, R., S. Fischer, R. Startz, F.J. Atkins, and G.R. Sparks, *Macroeconomics*, 7<sup>th</sup> Canadian edition. Toronto: McGraw-Hill Ryerson, 2005.

Fazzari, S.M., "Investment," in D. Glasner, ed., *Business Cycles and Depressions: An Encyclopedia*. New York: Garland, 1997.



- Hassett, K.A., "Investment," in D.R. Henderson, ed., *The Concise Encyclopedia of Economics*, 2<sup>nd</sup> edition. (Available online at <http://www.econlib.org/library/Enc/Investment.html>.)
- Kotlikoff, L.J., "Saving," (Available online at <http://www.econlib.org/library/Enc/Saving.html>.)
- Lindner, F., "Does Saving Increase the Supply of Credit? A Critique of Loanable Funds Theory," *World Economic Review*, Vol. 4, February 2015, pp. 1-26. (Available online at <http://wer.worldeconomicsassociation.org/files/WEA-WER-4-Lindner.pdf>.)
- Pollin, R., ed., *The Macroeconomics of Saving, Finance, and Investment*. Ann Arbor: University of Michigan Press, 1997.
- Podkaminer, L., "The Euro Area's Secular Stagnation and What Can Be Done about It. A Post-Keynesian Perspective," *Real-World Economics Review*, No. 70, 2015, pp. 2-16. (Available online at <http://www.paecon.net/PAERreview/issue70/Podkaminer70.pdf>.)

## 5. *Why Is There Unemployment? (May 26)*

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- \*Fortin, P., "Unemployment in Canada," in *Introducing Macroeconomic Analysis*, Chapter 5, pp. 119-136.
- \*Lavoie, M., "Two Views of Unemployment," in *Introducing Macroeconomic Analysis*, Chapter 5, pp. 137-148.
- \*Chang, H.J., "Making Rich People Richer Doesn't Make the Rest of Us Richer," in *23 Things They Don't Tell You about Capitalism*, Chapter 13, pp. 137-147.

### Supplementary Readings:

- Bellemare, D. and L. Poulin-Simon, "The Challenge of full Employment," in A. Fenichel and S.H. Ingerman, eds., *On the Political Economy of Social Democracy*. Montreal and Kingston: McGill-Queen's University Press, 1991.
- Bernard A. and J. Usalcas, "The Labour Market in Canada and the United States since the Last Recession," Economic Insights No. 036, Statistics Canada, July 2014. (Available online at <http://www.statcan.gc.ca/pub/11-626-x/11-626-x2014036-eng.pdf>.)
- Card, D. and A.B. Krueger, *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton, NJ: Princeton University Press, 1995.
- Fortin, P., M. Keil and J. Symos, "The Sources of Unemployment in Canada, 1967-91: Evidence from a Panel of Regions and Demographic Groups," *Oxford Economic Papers*, Vol. 53, No. 1, 2001, pp. 67-93.
- Howells, D.R., ed., *Fighting Unemployment: The Limits to Free Market Orthodoxy*. Oxford: Oxford University Press, 2005.
- Howells, D.R., D. Baker, A. Glyn and J. Schmitt, "Are Protective Labour Market Institutions Really at the Root of Unemployment? A critical Review of the Evidence," Bernard Schwartz Center for Economic Policy Analysis. (Available online at [http://www.newschool.edu/scepa/publications/workingpapers/Howell%20et%20al\\_Institutions%20and%20Unemployment\\_march15.07.pdf](http://www.newschool.edu/scepa/publications/workingpapers/Howell%20et%20al_Institutions%20and%20Unemployment_march15.07.pdf).)
- Jones, S.R.G., "Cyclical and Seasonal Properties of Canadian Gross Flows of Labour," *Canadian Public Policy*, Vol. 19, No. 1, 1993, pp. 1-17.
- Mitchell, W. and J. Muysken, *Full Employment Abandoned: Shifting Sands and Policy Failures*. Cheltenham: Edward Elgar, 2008.
- Piore, M.J., ed., *Unemployment and Inflation: Institutional and Structuralist Views*. White Plains, NY: M.E. Sharp, 1979.
- Stanley, T.D., "Does Unemployment Hysteresis Falsify the Natural Rate of Unemployment? A Meta-regression Analysis," *Journal of Economic Surveys*, Vol. 18, No. 4, 2004, pp. 589-612.
- Tiessen, K., "Seismic Shift: Ontario Changing Labour Market," Canadian Centre for Policy Alternatives, March 2014. (Available online at <https://www.policyalternatives.ca/sites/default/files/uploads/publications/Ontario%20Office/2014/03/Seismic%20ShiftFINAL.pdf>.)

## 6. *Is Government Spending a Source of Stability or Instability?* (May 28)

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[Note: *Critical Reflection II* is due. Topic for *Term Paper* to be assigned.]

\*Veldhuis, N., "The Optimal Size of Government," in *Introducing Macroeconomic Analysis*, Chapter 6, pp. 151-164.

\*Bougrine, H., "The Stabilizing Role of Public Spending," in *Introducing Macroeconomic Analysis*, Chapter 6, pp. 165-176.

\*Chang, H.J., "Governments Can Pick Winners," in *23 Things They Don't Tell You about Capitalism*, Chapter 12, pp. 125-136.

### Supplementary Readings:

Auerbach, A.J. and Gorodnichenko, Y., "Measuring the Output Responses to Fiscal Policy," NBER Working Paper No. 16311, 2010.

Auerbach, A.J. and Gorodnichenko, Y., "Fiscal Multipliers in Recession and Expansion," NBER Working Paper No. 17447, 2011.

Ban, C., "Austerity versus Stimulus? Understanding Fiscal Policy Change at the International Monetary Fund since the Great Recession," CEGI Working Paper, Pardee Center, Boston University, March 2014. (Available online at <http://www.bu.edu/pardee/files/2014/03/Austerity-vs.-Stimulus-Working-Paper.pdf>.)

Bell, S., "Can Taxes and Bonds Finance Government Spending?," *Journal of Economic Issues*, Vol. 34, No. 3, 2000, pp. 603-620.

Blyth, M., *Austerity: The History of a Dangerous Idea*. New York: Oxford University Press, 2013.

Borg, A., "Fiscal Policy in the Shadow of Debt: Surplus Keynesianism Still Works," in G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned?*, pp. 183-191. Cambridge, Mass: IMF and MIT Press, 2014.

Cochrane, J.H., "Fiscal Stimulus, Fiscal Inflation, or Fiscal Fallacies?," Booth School of Business, University of Chicago, 2009. (Available online at <http://faculty.chicagobooth.edu/john.cochrane/research/Papers/fiscal2.htm>.)

Eberly, J., "Defining the Reemerging Role of Fiscal Policy," in G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned?*, pp. 179-182. Cambridge, Mass: IMF and MIT Press, 2014.

Fazzari, S.M., P.E. Ferri, E.G. Greenberg, and A.M. Variato, "Aggregate Demand, Instability, and Growth," INET Research Note No. 002, May 2012. (Available online at <http://ineteconomics.org/sites/inet.civicactions.net/files/Note-2-Fazzari-et-al.pdf>.)

Galbraith, J.K., *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*. New York: Free Press, 2008.

Graziani, A., "The Theory of Monetary Circuit," *Economies et Sociétés*, Vol. 24, No. 6, 1990, pp. 7-36.

Krugman, P., "How the Case for Austerity Has Crumbled," *The New York Review of Books*, Vol. 60, No. 10, 6 June 2013. (Available online at <http://www.nybooks.com/articles/archives/2013/jun/06/how-case-austerity-has-crumbled/>.)

Mazzucato, M., *The Entrepreneurial State: Debunking Public vs. Private Sector Myth*. London and New York: Anthem Press, 2013.

Parker, J.A., "On Measuring the Effects of Fiscal Policy in Recessions," *Journal of Economic Literature*, Vol. 49, No. 3 (September), 2011, pp. 703-18.

Perotti, R., "The 'Austerity Myth': Gain Without Pain?," NBER Working Paper 17571, National Bureau of Economic Research, Cambridge, MA, 2011.

Perotti, R., "Fiscal Policies in Recessions," in G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned? Macroeconomic Policy after the Crisis*, pp. 193-207. Cambridge, Mass: IMF and MIT Press, 2014.

Ramey, V., "Can Government Purchases Stimulate the Economy?" *Journal of Economic Literature*, Vol. 49, No. 3 (September), 2011, pp. 673-85.

- Roubini, N., "Fiscal Policy," in G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned? Macroeconomic Policy after the Crisis*, pp. 209-222. Cambridge, Mass: IMF and MIT Press, 2014.
- Seccareccia, M. And A. Sood, "Government Debt Monetization and Inflation: A Somewhat Jaundiced View," in H. Bougrine, ed., *Debts, Deficits and Economic Performance*, pp. 122-134. Cheltenham: Edward Elgar, 2000.

## **7. Should Central Banks Be Targeting Inflation? (June 2)**

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- \*Rowe, N., "Money, Central Banks, and Monetary Policy: The Path to Inflation Targeting," in *Introducing Macroeconomic Analysis*, Chapter 7, pp. 179-187.
- \*Rochon, L.-P., "Inflation Targeting: From Misconception to Misguided Policies," in *Introducing Macroeconomic Analysis*, Chapter 7, pp. 188-196.
- \*Chang, H.J., "Greater Macroeconomic Stability Has *Not* Made the World Economy More Stable," in *23 Things They Don't Tell You about Capitalism*, Chapter 6, pp. 51-61.

### Supplementary Readings:

- Ball, L.M., "The Case for Four Percent Inflation," *Central Bank Review* (Central Bank of the Republic of Turkey), Vol. 13, May 2013, pp. 17-31. (Available online at <http://www.econ2.jhu.edu/People/Ball/four%20percent%20inflation%20cbank.pdf>.)
- Blanchard, O., G. Dell'Ariccia and P. Mauro, "Rethinking Macroeconomic Policy," *Journal of Money, Credit and Banking*, Vol. 42, 2010, pp. 199-215.
- Bruno, M., "Does Inflation Really Lower Growth?," *Finance and Development*, Vol. 32, No. 3, 1995, pp. 35-38.
- Céspedes, L.F., R. Chang, and A. Velasco, "Is Inflation Targeting Still on Target? The Recent Experience of Latin America," IDB Working Paper Series No. 384, March 2013. (Available online at <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37635005>.)
- Côté, A., "Inflation Targeting in the Post-Crisis Era," Remarks to Calgary CFA Society, Calgary, Alberta, 18 November 2014. (Available online at <http://www.bankofcanada.ca/wp-content/uploads/2014/11/remarks-181114.pdf>.)
- King, M., "Twenty Years of Inflation Targeting," Stamp Memorial Lecture, London School of Economics, London, 9 October 2012. (Available online at <http://www.bankofengland.co.uk/publications/Documents/speeches/2012/speech606.pdf>.)
- Lavoie, M., *Introduction to Post-Keynesian Economics*. London: Routledge, 2007.
- Meyer, L.H., "Does Money Matter?," *Review*, Vol. 83, No. 4, 2001, pp. 1-15.
- Rochon, L.-P., "Central Bank Governance, the Euthanasia of the Rentier and Interest Rate Policy: A Note on Post-Keynesian Monetary Policy after Taylor," in C. Gnos and L.-P. Rochon, eds., *Monetary Policy and Financial Stability*. Cheltenham: Edward Elgar, 2009.
- Svensson, L.E.O., "Inflation Targeting," CEPS Working Paper No. 144, Princeton University, May 2007. (Available online at <http://www.princeton.edu/ceps/workingpapers/144svensson.pdf>.)
- Woodford, M., "Monetary Policy Targets after the Crisis," in G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned?*, pp. 55-62. Cambridge, Mass: IMF and MIT Press, 2014.
- Yellen, J.L., "Many Targets, Many Instruments: Where Do We Stand?," in G. Akerlof, O. Blanchard, D. Romer, and J. Stiglitz (eds.), *What Have We Learned? Macroeconomic Policy after the Crisis*, pp. 31-35. Cambridge, Mass: IMF and MIT Press, 2014. (Available online at <http://www.federalreserve.gov/newsevents/speech/yellen20130416a.pdf>.)

## **8. Should Central Banks Be Independent? (June 4)**

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- \*Galbraith, J.A., "The Case of Independent Central Banks," in *Introducing Macroeconomic Analysis*, Chapter 8, pp. 199-206.



\*Le Héron, E., "Governance and Confidence Instead of Independence and Credibility," in *Introducing Macroeconomic Analysis*, Chapter 8, pp. 207-216.

\*Chang, H.J., "Assume the Worst about People and You Get the Worst," in *23 Things They Don't Tell You about Capitalism*, Chapter 5, pp. 41-50.

Supplementary Readings:

Aisen, A. and F.J. Veiga, "Political Instability and Inflation Volatility," *Public Choice*, Vol. 135, No. 3-4, 2008, pp. 207-223.

Buiter, W., "New Developments in Monetary Economics: Two Ghosts, Two Eccentricities, a Fallacy, a Mirage and a Mythos," *Economic Journal*, Vol. 115, No. 502, 2005, pp. C1-C31.

Crowe, C. and E.E. Meade, "The Evolution of Central Bank Governance around the World," *Journal of Economic Perspectives*, Vol. 21, No. 4, 2007, pp. 69-90.

Ferris, J.S., "Electoral Politics and Monetary Policy: Does the Bank of Canada Contribute to a Political Business Cycle?," *Public Choice*, Vol. 135, No. 3-4, 2008, pp. 449-468.

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