

Department of Economics
University of Toronto
Fall 2020

ECO 407

Competing Views in Macroeconomic Theory and Policy

Tuesday, 2:00 – 5:00 PM

INSTRUCTOR

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TEACHING ASSISTANT

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COURSE DESCRIPTION

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.

COURSE DELIVERY

ECO407 has been designated as an “online synchronous” course, but the course delivery will be a mix of synchronous and asynchronous.

- Lectures will be delivered online synchronous (Tuesday, 2:00 – 4:00 PM) but they will be recorded and posted to Quercus for later viewing. Lectures will be delivered using the Zoom platform.
- The instructor will host synchronous online Q&A sessions immediately after the Lectures (Tuesday, 4:00 – 5:00 PM). Q&A sessions will be hosted using the Zoom platform.
- The course TA will host two online synchronous tutorials on two Tuesdays (September 29 and October 20) from 4:00 to 5:00 PM. The aim of these tutorials is to help students in the writing of their critical review and research paper. Tutorials will be delivered using the Zoom platform.
- All assessments will take place online. Please note that all times listed in this syllabus are in local Toronto time (EDT). If you are in a different time zone, please convert it into EDT correctly; time zone calculation errors are not an acceptable reason to miss deadlines.

TECHNOLOGY REQUIREMENTS

To take this course, you must have access to:

- A laptop or desktop computer with a working microphone and camera. A phone is not an acceptable substitute as some required components may not be accessible on smartphones.
- Stable, high-speed internet and reliable electricity.

- The technology and knowledge to scan or photograph your handwritten work and convert it into small PDF, JPG, or PNG files.

Sometimes things can go wrong with technology. Please be proactive and maintain regular backups of your files, use antivirus software, and submit your work before deadlines in case of technical difficulties. Common issues like computer viruses, crashed hard drives, lost or corrupted files, incompatible file formats, faulty internet, etc. are not acceptable reasons for a deadline extension.

Q&A SESSIONS

Following the regular lectures, the 4:00 – 5:00 PM time slot will be used to discuss course material (or just economics in general) with the instructor in a synchronous group setting. If you have a question or comment about the course material, this is where you should bring it up. Many students often have similar questions, so everyone benefits when you ask a question! You are encouraged to attend Q&A sessions regardless of whether you have a question to ask. Q&A sessions will be hosted using Zoom.

OFFICE HOURS

I will host online one-on-one office hours by appointment only. You can send me an e-mail to make an appointment. This time is for private discussions only. I will not answer questions about course content during one-on-one office hours. Questions about course content will be answered in the Q&A sessions. Office hours will be hosted using the Zoom platform.

DISCUSSION BOARDS

There will be a discussion board on Quercus that you can use to engage asynchronously with your classmates about the course material. Discussion boards are a platform for you to practice skills, test your knowledge, and learn with your classmates. The TA and I will monitor them, but they are primarily for student-to-student interaction like an online study group. Discussion boards are not substitutes for live Q&A sessions.

REQUIRED TEXTBOOKS

- 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.

Also recommended but not required: John Komlos, *Foundation of Real-World Economics*, second edition. New York: Routledge, 2019.

COURSE REQUIREMENTS

- **Critical Review** – Review of an economics article to be assigned on **September 29**. Submission will be due on **October 13**. The Critical Review should be 900 words (+/- 5%) in length. **Late penalty: 5 percentage points per day without exceptions.**
- **Term Test** – A 90-minute test to be written online using the Crowdmark platform. It will be written from 4:00 to 5:30 PM on Friday, **October 30**. A sample of possible test questions will be provided on **October 13**.
- **Research Paper** – This essay will be on a specific topic to be assigned on **October 20**. It should be about 3,000 words (+/- 5%) in length.
 - A **first draft** of the paper will be due on **November 24**. **Late penalty: 20 percentage points of the Research Paper mark without exceptions.**

Guidelines on Writing the Critical Review

1. This assignment involves the submission of a critical review or reflection on an assigned article.
2. The critical review 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, i.e., you must provide evidence of the strengths and weaknesses of the author's arguments and ideas. This implies, therefore, that you must take a clear and coherent position on the issues discussed, i.e., you must 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.

➤ The **final draft** of the paper will be due at the beginning of class on **December 1**. **Late penalty: 5 percentage points per day without exceptions.**

- **Final Exam** – A two-hour exam covering all the course work to be written online using the Crowdmark platform. It will be written during the regular examination period (**December 11-22**).

COURSE EVALUATION

The breakdown of the term grade will be as follows: 1) **Critical Review** will count for **15%** of the final mark; 2) **Term Test** will count for **25%** of the final mark; 3) **Research Paper** will count for **30%** of the final mark; and 4) **Final Exam** will count for **30%** of the final mark.

GUIDELINES FOR WRITING THE RESEARCH PAPER

There are several **Writing Centres** at the University of Toronto where you can receive helpful information to guide you in writing an academic essay. Most Writing Centre activities will be online in the fall. The Centres will continue to offer the same high level of support as it always has. Students should visit each individual Centre's site for information on how to make an appointment. A list of these Writing Centres can be accessed at <https://writing.utoronto.ca/writing-centres/arts-and-science/>. More than 60 Advice files on all aspects of academic writing are available from <http://advice.writing.utoronto.ca>. Printable PDF versions are listed at <http://advice.writing.utoronto.ca/student-pdfs>.

MAKE-UP TEST

Students missing the term test for an approved cause, will be permitted to write a make-up test. **In these instances, students are required (without exceptions) to inform and provide details to the instructor by Monday, November 2 at the latest.** Students deemed ineligible for writing the make-up test will receive a **grade of zero** for the missed test. The make-up test will be written using the Crowdmark platform on Friday, **November 6** from 4:00 to 5:30 PM. **Please note that there will be no special allowance for any possible time conflict.**

SUBMISSION OF MEDICAL CERTIFICATES

For this year, the University has announced that students will not require a **Verification of Illness** (VOI) form. The updated **FAQ** for students reads as follows:

What should I do if I can't attend class (in-person or remote) and it is affecting my academic work? Students who are absent from class for any reason (e.g., COVID, other illness or injury, family situation) and who require consideration for missed academic work should report their absence through the online absence declaration. The declaration is available on **ACORN**

under the **Profile** and **Settings** menu. Students should also advise their instructor of their absence.

In **ACORN**, students are directed to the absence declaration online tool even in cases where the issue is not missing a class meeting. The **ACORN** online tool is for absence from academic participation in the University and where students require consideration of missed academic work. Students are then told they should contact their instructor to request the accommodation they are seeking.

MARKING AND APPEALS

Disputes over the evaluation term work should be discussed with the instructor. After carefully reviewing your work, submit a **brief note** clearly indicating the reasons for your disagreement with the marking. Disagreement with the marking means that an error might have been made — for instance, the marker failing to consider a part of your answer. **Note that indicating that in your view you deserved a higher mark is not a sufficient reason for requesting a remarking of a test.** You must submit your appeal **within one week** after the paper/test is returned to students. **In the case of the term test, note that all the questions will be remarked and not only the question in dispute.**

ACADEMIC INTEGRITY

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) 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

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 (September 15)

- *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:

- Altenburg, T. and W. Lütkenhorst, *Industrial Policy in Developing Countries: Failing Markets, Weak States*. Northampton, Mass.: Edward Elgar Publishing, 2015.
- 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 Conservatives 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.
- Pressman, S. and R. Holt, "Teaching Post Keynesian Economics to Undergraduate Students," *Journal of Post-Keynesian Economics*, Vol. 26, No. 1, Fall 2003, pp. 169-186.
- 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.
- Sekera, J., "Economics and the Near-Death Experience of Democratic Governance," GDAE Working Paper No. 15-02, Tufts University, May 2015. (Available online at http://www.ase.tufts.edu/gdae/Pubs/wp/15-02SekeraEconomicsDe-Democratization.pdf?utm_source=GDAE+Subscribers&utm_campaign=132cb69eb9-SekeraWP_5_19_2015&utm_medium=email&utm_term=0_72d4918ff9-132cb69eb9-46743997.)
- 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.)
- 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/>.)
- Stiglitz, J.E., "The Non-Existent Hand," *London Review of Books*, Vol. 32, No. 8 (April), 2010. (Available online at <https://www.lrb.co.uk/v32/n08/joseph-stiglitz/the-non-existent-hand>.)

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 (September 22)*

*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.)

*Ponsot, J.-F., "Rethinking Money," in Rochon, L.-P. and S. Rossi (eds.), *A Modern Guide to Rethinking Economics*, Chapter 6, pp. 114-128. New York: Edward Elgar Publisher, 2017. (Available online at: <https://www.elgaronline.com/view/9781784717209.00015.xml>.)

Supplementary Readings:

Arestis, P. and M. Sawyer (eds.), *A Handbook of Alternative Monetary Economics*. Cheltenham, U.K.: Edward Elgar, 2006.

Binswanger, H.C., *Money and Magic: A Critique of the Modern Economy in Light of Goethe's Faust*. University of Chicago Press, 1994.

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.

Di Muzio, T. and L. Noble, "The Coming Revolution in Political Economy: Money Creation, Mankiw and Misguided Macroeconomics," *real-world economics review*, No. 80, 26 June 2017, pp. 85-108. (Available online at <http://www.paecon.net/PAERReview/issue80/DiMuzioNoble80.pdf>.)

Galbraith, J.K., "Can Trump Overcome Secular Stagnation?" *real-world economics review*, No. 78 (March), 2017, pp. 20-27. (Available online at <http://www.paecon.net/PAERReview/issue78/Galbraith78.pdf>.)

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.

Huber, J., "Split-Circuit Reserve Banking – Functioning, Dysfunctions and Future Perspectives," *real-world economics review*, No. 80, 26 June 2017, pp. 63-84. (Available online at <http://www.paecon.net/PAERReview/issue80/Huber80.pdf>.)

Ingham, G., *The nature of Money*. Cambridge: Polity Press, 2004.

King, M., *The End of Alchemy: Money, Banking, and the Failure of the Global Economy*. New York: W.W. Norton, 2016.

Kiyotaki, N. and J. Moore, "Evil Is the Root of All Money," *American Economic Review*, Vol. 92, No. 2, 2002, pp. 62-66.

McLeay, M., A. Radia, and R. Thomas, "Money Creation in the Modern Economy," *Bank of England Quarterly Bulletin*, Vol. 54, No. 1, 2014, pp. 14-27. (Available online at <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q101.pdf>.)

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.

Palley, T.I., "The Theory of Endogenous Money and the LM Schedule: Prelude to a Reconstruction of the ISLM," *Revista de Economia Política*, Vol. 37, No. 1, 2017, pp. 3-22. Available online at <http://www.scielo.br/pdf/rep/v37n1/1809-4538-rep-37-01-00003.pdf>.)

- Rochon, L.-P., "What Is Money? The Theory of Endogenous Money from a Revolutionary Perspective," paper presented at the American Economic Association 2016 Annual Meeting session *Do Capital Flows Need to Be Tamed?*, San Francisco, CA, January 4, 2016.
- Smithin, J. (ed.), *What is Money?* London: Routledge, 2000.
- Taylor, L., "The 'Natural' Interest Rate and Secular Stagnation: Loanable Funds Macro Models Don't Fit Today's Institutions or Data", *Challenge*, Vol. 60, No. 1, 2017, pp. 27-39. (Available online at <http://www.tandfonline.com/doi/pdf/10.1080/05775132.2016.1272966?needAccess=true>.)
- Werner, R.A. (2014a) "Can Banks Individually Create Money out of Nothing? – The Theories and the Empirical Evidence," *International Review of Financial Analysis*, Vol. 36, pp. 1-19.
- Werner, R.A. (2014b) "How do Banks Create Money, and Why Can Other Firms Not Do the Same? An Explanation for the Coexistence of Lending and Deposit-Taking," *International Review of Financial Analysis*, Vol. 36, pp. 71-77.
- 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.
- Wray, L.R., *Why Minsky Matters: An Introduction to the Work of a Maverick Economist*, Chapters 3-4, pp. 71-108. Princeton, NJ: Princeton University Press, 2016.

3. The Determinants of Consumption and Saving (September 29)

[Note: Article for Critical Review to be assigned. Critical Review due on October 13.]

- *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>.)
- *Komlos, J., "Taste Makers and Consumption," in *Foundations of Real-World Economics*, Chapter 5, pp. 81-98. (Available online at <https://www.taylorfrancis.com/books/9781315099972/chapters/10.4324/9781315099972-5>.)

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.
- Blecker, R.A., "Wage-Led versus Profit-Led Demand Regimes: The Long and the Short of It," *Review of Keynesian Economics*, Vol. 4, No. 4, Winter 2016, pp. 373-390.
- 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.
- Galbraith, J.K., "Can Trump Overcome Secular Stagnation?" *real-world economics review*, No. 78, 22 March 2017, pp. 20-27. (Available online at <http://www.paecon.net/PAERreview/issue78/Galbraith78.pdf>.)

- 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.worldeconomicssociation.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.
- Taylor, L., "The 'Natural' Interest Rate and Secular Stagnation: Loanable Funds Macro Models Don't Fit Today's Institutions or Data", *Challenge*, Vol. 60, No. 1, 2017, pp. 27-39. (Available online at <http://www.tandfonline.com/doi/pdf/10.1080/05775132.2016.1272966?needAccess=true>.)

4. The Determinants of Investment (October 6)

- *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:

- Bibow, J., "The Loanable Funds Fallacy: Exercises in the Analysis of Disequilibrium," *Cambridge Journal of Economics*, Vol. 25, No. 5, 2001, pp. 591-616.
- Blecker, R.A., "Wage-Led versus Profit-Led Demand Regimes: The Long and the Short of It," *Review of Keynesian Economics*, Vol. 4, No. 4, Winter 2016, pp. 373-390.
- 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*, 7th 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*, 2nd edition. (Available online at <http://www.econlib.org/library/Enc/Investment.html>.)
- Hayes, M.G., "The Loanable Funds Fallacy: Saving, Finance and Equilibrium," *Cambridge Journal of Economics*, Vol. 34, No. 4, 2010, pp. 807-820.
- Junankar, P., "Neoclassical Theories of Investment," in H. Vane and B. Snowdon, eds., *Encyclopaedia of Macroeconomics*. Cheltenham: Edward Elgar, 2002.
- Komlos, J., "Returns to the Factors of Production," in *Foundations of Real-World Economics*, second edition, Chapter 7, pp. 109-141. New York: Routledge, 2019.
- Kotlikoff, L.J., *What Determines Savings?* Cambridge: MIT Press, 1989.
- Kotlikoff, L.J. and L.H. Summers, "The Adequacy of Saving," *American Economic Review*, Vol. 72, No. 5, 1982, pp. 1056-1069.
- Kotlikoff, L.J., "Saving," 2008. (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.worldeconomicssociation.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>.)

Stanford, J., "U.S. Private Capital Accumulation and Trump's Economic Program", *real-world economics review*, No. 79 (March), 2017, pp. 74-90. (Available online at <http://www.paecon.net/PAERReview/issue79/Stanford79.pdf>.)

5. *Is Government Spending a Source of Stability or Instability? (October 13)*

[Note: Critical Review is due. Sample questions for Term Test to be given.]

*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.

*Llorca, M., "Rethinking Fiscal Policy," in Rochon, L.-P. and S. Rossi (eds.), *A Modern Guide to Rethinking Economics*, Chapter 9, pp. 169-181. New York: Edward Elgar Publisher, 2017. (Available online at: <https://www.elgaronline.com/view/9781784717209.00019.xml>.)

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," CEI 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.

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[Note: First draft of the Research Paper is due.]

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11. Should Financial Flows Be Regulated? (December 1)

[Note: Final draft of the Research Paper is due.]

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