

Principles of Macroeconomics

ECON 104-003

Fall 2022

Instructor: Marcel Dumas Gautreau

Class Setting: 01:30 PM to 02:45 PM TR – Innovation Hall 132

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Office Location: JC 342 (Johnson Center 3rd Floor Computer Lab)

Office Hours: 03:00 to 04:30 PM Tuesdays

*“Are you unhappy, girl, in this confusing world?
Where everything you earn is getting left to burn?
If it were up to me, then money would be free
And I can give you that, and I can give you that”*

-Lemon Demon, “Reaganomics”

Course Introduction:

Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses. It is the philosophy of human life and action and concerns everybody and everything. It is the pith of civilization and of man’s human existence. As a science, its history goes back eight centuries. As a praxis, its history goes back to the first hominid to trade berries for a back rub. Yes, it is really that important.

It is my privilege to take you through one of the earliest steps in understanding this science. By the end of this class it is my hope that you will begin to develop a fuller appreciation for the latticework of social relations that has made it possible for me to type out this syllabus and distribute it to you.

Along the way, you’ll learn a thing or two about national income analysis, money and banking, economic growth and stability, unemployment, inflation, and role of government. Limited to three attempts. Three credit hours.

Textbooks and Readings

The following textbooks are required.

[Principles of Economics 2e](#), by Greenlaw and Shapiro

[Principles of Economics](#), by Carl Menger

[The Mystery of Banking](#), by Murray Rothbard

[Power and Market](#), by Murray Rothbard

Readings are designated “[R]equired” “[S]upplemental”, and “[O]ptional”. Required readings are just that. Supplemental readings are meant to help understand the Required readings but can be skipped if you feel that your understanding of the Required readings is sufficient. Optional readings are just that.

All readings are freely available online, if not through a simple search, then through the GMU Library website. This course is not math intensive at all, but you will need to do a good bit of reading and a decent bit of writing.

Prerequisites and Expectations

ECON 103 (Principles of Microeconomics)

Grading:

Course grades are based on a midterm exam (20%), a final exam (30%), three problem sets (10% each), and a book review (20%).

A+ = 100-97	A = 96-94	A- = 93-90	B+ = 89-87	B = 86-84	B- = 83-80
C+ = 79-77	C = 76-74	C- = 73-70	D+ = 69-67	D = 66-64	D- = 63-60

Anything below a 60, of course, gets you an F.

Exams:

The Midterm Exam will likely consist of 8 True/False + Explain questions and three short answer questions.

My make up exam policy is this. If you notify me ahead of time, I will attempt to set-up a make-up exam time sometime between the last class before the exam, and the first class after the exam.

Problem sets:

Problem sets consist of 10 questions each, and each problem set is worth 10% of your grade. With three problem sets, homework is worth 30% of your grade. Problem sets are scored out of 10, and for each calendar day late a problem set is, one point will be subtracted. Once graded problem sets are returned to students, I will not accept late assignments. Problem sets will always be handed out at least two weeks before they are due.

Attendance and Participation

As all students are legal adults who pay thousands of dollars per semester for the privilege of coming to class and subjecting yourselves to judgements of your abilities by myself and other GMU employees, I do not accord a point value for attendance.

Students are not permitted to disturb the workflow of their classmates or myself. Phones should be kept silent, late students should quickly and quietly move to the nearest available seat, and any questions concerning material missed due to tardiness should be kept for after class.

In sum, I feel entitled to 8 hours a week of your time. Three in class, five out. Why? Full-Time Students average 15 credits. This course is one fifth of that. A full-time job is 40 hours a week. 8 hours is one fifth of that.

Class Schedule

Week 1: Basic Economic Concepts

- [R] Menger's *Principles* Chapter 3
- [R] Mystery of Banking Chapter 2
- [R] Leonard E. Read, *I, Pencil*, (1958)

Week 2: Economic Indicators - GDP

- [R] G&S Ch 19
- [R] Murray Rothbard, *The Fallacy of the Public Sector* (1961)
- [S] Lincoln Anderson, *Gross Domestic Product* (Econlib)
- [S] Robert Murphy, *Pitfalls in GDP Accounting* (Econlib)

- Assigned: Problem Set 1 (Economic Indicators)

Week 3: Economic Indicators - CPI

- [R] G&S Ch 22
- [R] Mystery of Banking 3 [13 Pages]
- [R] Reuben A. Kessel and Armen A. Alchian, *Effects of Inflation* (1962)
- [S] Michael J. Boskin, *Consumer Price Indexes* (Econlib)
- [S] Lawrence H. White, *Inflation* (Econlib)

Week 4: Economic Indicators - Unemployment

- [R] G&S Ch 21
- [R] A. W. Phillips, *The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957* (1958)
- [R] Murray Rothbard, *The "Problem" of Unemployment* ([Man, Economy, and State 9.2G](#))
- [R] Robert Higgs, *Wartime Prosperity? A Reassessment of the U.S. Economy in the 1940s* (1992)
- [S] Lawrence Summers, *Unemployment* (Econlib)
- Due: Problem Set 1 (Economic Indicators)

Week 5: Aggregate Demand, Aggregate Supply, and the Quantity Theory of Money

- [R] G&S Ch 24
- [R] Milton Friedman, *The Quantity Theory of Money* (1987)
- [S] Alan S. Blinder, *Keynesian Economics* (EconLib)
- [S] Bennet T. McCallum, *Monetarism* (EconLib)

Week 6: Business Cycles

- [R] G&S Ch 25-26
- [R] Murray Rothbard, *America's Great Depression* Chapters 2-3 ([mises.org](#))
- [S] Christina D. Romer, *Business Cycles* (Econlib)

Week 7: Review and Midterms

Week 8: Money

- [R] Mystery of Banking 1, 4, 5
- [R] Read: Richard A. Radford, *The Economic Organization of a POW Camp* (1945)
- Assigned: Problem Set 2 (Mystery of Banking)

Week 9: Banking

- [R] Mystery of Banking 6-8
- [O] Robert P. Murphy, *Rothbardians vs. "Free Bankers" on Fractional Reserve Banking* ([YouTube](#))

Week 10: Monetary Policy

- [R] Mystery of Banking 9-11
- [R] Milton Friedman, *The Role of Monetary Policy* (1968)
- [S] James Tobin, *Monetary Policy* (Econlib)
- Due: Problem Set 2 (Mystery of Banking)

Week 11: Fiscal Policy

- [R] Power and Market Ch 4.1-4.5, 5.1-5.2
- [S] David N. Weil, *Fiscal Policy* (Econlib)

Week 12: Entrepreneurship and the Market Process

- [R] Ludwig von Mises, *Entrepreneurial Profit and Loss* ([Human Action, Chapter XV.8](#))
- [R] Carl Menger, *The Causal Connections between Goods and the Laws Concerning Goods Character* (Principles, Chapter I, Sections 2 and 3)
- [R] Ludwig von Mises, *The Rate of Interest* ([Human Action, Chapter XIX](#))
- [R] Murray Rothbard, *Economic Depressions: Their Cause and Cure* (mises.org)
- Assigned: Problem Set 3 (Special Topics)

Week 13: Economic Development

- [R] Friedrich List, *The Manufacturing Power and the Personal, Social, and Political Productive Powers of the Nation*, ([The National System, Book II, Chapter XVII](#))
- [R] Ludwig von Mises, *The Limitation of Offspring* ([Human Action XXIV.2](#))
- [R1] William J. Baumol, *Productivity Growth, Convergence, and Welfare: What the Long-Run Data Show* (1986)
- [R1] Xavier Sala-i-Martin, *I Just Ran Two Million Regressions* (1997)
- [R2] Land Pritchett, *Where Has All the Education Gone?* (2001)
- [R2] Garrett Jones, *The O-Ring Sector and the Foolproof Sector: An Explanation for Skill Externalities* (2012)
- [R3] Acemoglu, Johnson, and Robinson, *The Colonial Origins of Comparative Development* (2001)
- [R3] Edward L Glaeser, *Do Institutions Cause Growth?* (2004)
- [S] John V.C. Nye, *Standards of Living and Modern Economic Growth* (EconLib)

Week 14: Public Choice and Government Regulation

- [R] Power and Market Ch 2-3
- [R] Robert Batemarco, *Lending Discrimination: The Unending Search* ([Foundation for Economic Education, 1994](#))
- [R] Howard Husock, *The Trillion-Dollar Bank Shakedown that Bodes Ill for Cities* ([City Journal, 2000](#))

-[R] Vikas Bajaj and Ford Fessenden, *What's Behind the Race Gap?* ([New York Times, 2007](#))

-[R] Byron York, *Dems push expanded Community Reinvestment Act; deny Act's role in mortgage meltdown; GOP cites ACORN connection* ([Washington Examiner, 2009](#))

-[S] William F. Shughart II, *Public Choice*, (Econlib)

-Due: Problem Set 3 (Special Topics)

Book Review Assignment

Choose a book on macroeconomic topics that interests you. I recommend several, but you may pick another, subject to my approval. The ensuing review should be from 5 to 10 pages, double spaced, 12 pt font. The book review is due on the last day of class.

The following points should be addressed in the essay:

1. Summarize the book's main arguments. What are they trying to say?
2. What evidence does the author provide for his argument? How does that evidence support their argument?
3. Do you agree with the author's arguments? If not, support your objections. If so, come up with a few reasonable objections and defeat them in your own words.
4. Separate from the question of whether the author's arguments are valid, were those arguments *persuasive* to you? Would they be to others? Why or why not?

Suggested Books:

-Barry Lynn, *End of the Line* (2006)

-Jorg Guido Hulsmann, *The Ethics of Money Production* (2008)

-Benjamin Powell, *Out of Poverty* (2014)

-Garett Jones, *Hive Mind* (2015)

-Mark Thornton, *Tariffs, Blockades, and Inflation* (2016)

-Jared Rubin, *Rulers, Religion, Riches* (2017)

-Peter Leeson, *WTF? An Economic Tour of the Weird* (2017)

-Peter Nelson and Walter Block, *Space Capitalism* (2018)

Important Dates

Last Day to Drop (100% Refund): 09/06

Last Day to Drop (50% Refund): 09/13

Last Day to take a (ironically named) W: 09/27

More information:

Selective Withdrawal Information, found here <https://registrar.gmu.edu/topics/selective-withdrawal>

Non-academic withdrawal information, <https://chssundergrad.gmu.edu/withdrawal/non-academic>

Honor Code

“To promote a stronger sense of mutual responsibility, respect, trust, and fairness among all members of the George Mason University community and with the desire for greater academic and personal achievement, we, the student members of the University Community have set forth this: Student members of the George Mason University community pledge not to cheat, plagiarize, steal and/or lie in matters related to academic work.”

That’s the honor code.

For more information, including definitions of “cheating,” “lying,” and “plagiarism,” visit <http://oai.gmu.edu>

Students with Disabilities:

Disability Services at George Mason University is committed to providing equitable access to learning opportunities for all students by upholding the laws that ensure equal treatment of people with disabilities. If you are seeking accommodations for this class, please first visit <http://ds.gmu.edu/> for detailed information about the Disability Services registration process. Then please discuss your approved accommodations with me. Disability Services is located in Student Union Building I (SUB I), Suite 2500. Email: ods@gmu.edu | Phone: (703) 993-2474

Privacy:

Student privacy is governed by the Family Educational Rights and Privacy Act (FERPA). Your rights under FERPA can be found at <https://registrar.gmu.edu/ferpa/>

Students must use their MasonLive email account to receive important University information, including communications related to this class. I will not respond to messages sent from or send messages to a non-Mason email address.

Sexual Misconduct:

As a faculty member and designated "Responsible Employee," I am required to report all disclosures of sexual assault, interpersonal violence, and stalking to Mason's Title IX Coordinator per university policy 1412. If you wish to speak with someone confidentially, please contact the Student Support and Advocacy Center (703-380-1434) or Counseling and Psychological Services (703-993-2380). You may also seek assistance from Mason's Title IX Coordinator (703-993-8730; titleix@gmu.edu).