

**This course operates under two fundamental principles: transparency and accountability. Every effort will be made to adhere to the terms of this syllabus. However, changes and adaptations might have to be made because of the COVID-19 emergency (*force majeure*). I will give you written notice of those changes.**

### **OFFICE INFORMATION**

*Hours:* Tuesdays and Thursdays, 4:00-5:30 PM. For appointments please sign up [here](#), or contact me *via* e-mail or voice mail.

*Location:* Lippman Hall 218

*Telephone:* 518.388.6065

*E-mail:* [motahare@union.edu](mailto:motahare@union.edu)

*Website:* <https://minerva.union.edu/motahare/Eco352/eco352.htm>

### **A. COURSE DESCRIPTION**

Up until COVID hit us, the economic and financial crisis of 2008 had been characterized by many as the worst that the U.S. had experienced since the Great Depression of the 1930s. The objective of this course is to use analytical tools of modern macroeconomics to gain a deep understanding of some of the causes and consequences of that crisis, to explore some relevant policy options, and to examine the consequences of all of this for current macroeconomic issues and policy debates. While a version of the pandemic continues, and major geopolitical and geo-economic events are occurring, it is difficult to get a full picture of what is happening, and might happen to the macroeconomy. However, we will attempt to provide an analysis. Subjects that we will study in this course include:

1. **Growth and Productivity.** What factors account for long-run economic growth? After many years of slow productivity growth, the U.S. appeared to enter a new era of sustained resurgent productivity growth in the 1990s. In the mid to late 90s commentators were hailing the boom in some western economies as the dawn of a “New Economy.” Near the end of the 90s, with the U.S. economy slowing down, dot.coms folding, and information and telecommunication technology firms feeling the pinch globally, some were saying that the “New Economy” was all a myth. Was it? What has been the nature of U.S. growth and productivity since the late 90s? Overall, this segment of the course provides us with the necessary long-term benchmark against which we can better assess and analyze the various aspects of the two crises.
2. **Causes and Consequences of the Global Financial Crisis and the Current Crisis**
  - 2a. **Causes.** In this segment we will try to make sense of the details of the modern ‘financial architecture’ that turned a predictable burst in the U.S. housing bubble, traceable to the subprime mortgage phenomenon, into a full-scale financial meltdown. We will augment the standard *IS/LM/PC* framework in macroeconomics to study the relevant problems. We will examine whether or not there were remediable ‘mistakes’ made on the part of financial institutions, regulators, or policy-makers, or are the root causes deeper and more difficult to address. We will ask a similar set of questions with regard to the current, COVID-triggered crisis, as well as crises caused by current geopolitical and geo-economic events.

**2b. Consequences/Policy Options.** We will examine some of the policies that were proposed and/or implemented to address the GFC. In addition, we will examine policies that have been proposed to address the current crises. An important issue to investigate would be: did the weaknesses in the US economy (structural and/or otherwise) surrounding the GFC and its aftermath contribute to the current COVID-triggered macroeconomic problems in the US. In both segments 2a and 2b we will also examine concepts such as zombie companies, liquidity trap, moral hazard, asymmetric information, adverse selection, supply chain issues, etc. Also, we will examine the effects of increasing income and wealth inequality, lack of universal healthcare, and of “trade wars,” as well as other wars, on macroeconomic performance.

## **B. READING**

Reference Textbook: we will use *Macroeconomics*, Olivier Blanchard, 7<sup>th</sup> edition, as the basic reference textbook.

- There will be a substantial amount of required readings assigned from professional journals and other sources. Specific reading assignments for each of the above two subject areas will be given to you in separate handouts, and posted at the course’s website.
- The following books are highly recommended:

-Joseph Stiglitz, *People, Power, and Profits: Progressive Capitalism for an Age of Discontent*, W.W. Norton, 2020.

-Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World*, Viking, 2018.

-Piketty, Thomas, *Capital in the Twenty-First Century*, The Belknap Press of Harvard University Press, 2014.

-Joseph Stiglitz, *The Price of Inequality*, W.W. Norton, 2012 (paperback 2013).

-Paul Krugman, *End this Depression Now!*, W.W. Norton, 2012 (paperback 2013).

## **C. COURSE REQUIREMENTS, GRADING POLICY and RELATED MATTERS**

There will be one **executive summary**, one **oral presentation**, one **term paper**, and two **examinations**, as follows:

**Executive Summary.** During the course of the term, you are required to write one executive summary on a topic chosen from one of the above subject areas (1 or 2). Your executive summary will be at most three pages long<sup>1</sup> (references, charts or graphs, or other ancillary material may be put onto additional pages).

The Executive Summary for **Subject Area 1** is due on Tuesday, January 23.

The Executive Summary for **Subject Area 2** is due on Thursday, February 22.

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<sup>1</sup>Typed, double-spaced, one-inch margins all around, Times New Roman 12-point font.

**Presentation.** You are required to make an oral presentation to the class, and be prepared to answer questions, corresponding to your term paper. You will be allocated a 25-minute time slot for this purpose. Presentations will take place during the 2/27-3/12 period. You may sign up for your presentation slot [here](#).

**Term Paper.** A term paper of no more than eight pages in length<sup>1</sup> (exclusive of graphs, charts, data appendices, *etc.*), is due on **Tuesday, March 19<sup>th</sup>, at 4:00 pm**. You should choose a topic from a subject area in which you will **not** have written an executive summary.

**Submission of the Executive Summary and the Term Paper.** You may, if you wish, submit your executive summary and/or your term paper earlier than the above due dates. Submission of the executive summary is due at the beginning of class. All submissions must be made electronically: **e-mail them to me in the pdf format**. Late submissions will be subject to a penalty of one point per hour (or a fraction thereof).

Detailed instructions for the executive summary, the presentation, and the term paper are provided [here](#).

### Examinations

There will be two examinations, each corresponding to one of the two subject areas. The schedule is as follows:

Examination 1	Tuesday, 1/23 at the beginning of class, 45 minutes
Examination 2	Thursday, 2/22 at the beginning of class, 90 minutes

There will be **no** time extensions for the examinations. For detailed information about the examinations, see the course's website.

### Other Matters

a. The contribution of each of the above, plus attendance and class participation, towards your course grade is as follows:

Executive summary	12%
Oral Presentation	14%
Term Paper	30%
Examination 1	12%
Examination 2	24%
Attendance and participation	8%

b. **Professional Conduct.** You are required to adhere to the following professional code of conduct during classroom sessions. It is in your best interest to **drop this course** if you are unable and/or unwilling to adhere to this code. "In order for everyone to benefit from the educational process in an appropriate environment, adherence to professional conduct during classroom sessions is expected. Eating, late arrival, leaving the classroom while it is in progress, conversation which interferes with session activity, and similar unprofessional conduct is not acceptable. **Such conduct will lead to point deductions (one point per occurrence) from your course grade.**" **The use of any electronic devices is not allowed** unless you obtain prior permission from me. Unauthorized use of electronic devices will be subject to the same penalty points as above. (Electronic

devices include, but are not limited to: cellphones, laptops, notebooks, iPads and iPad-like devices, Apple watches, etc.) **The recording of lectures in any format is strictly prohibited.** College policies regarding COVID will be strictly enforced.

c. **Honor Code.** The College's Honor Code is now in effect. "Union College recognizes the need to create an environment of mutual trust as part of its educational mission. Responsible participation in an academic community requires respect for and acknowledgement of the thoughts and work of others, whether expressed in the present or in some distant time and place.

Matriculation at the College is taken to signify implicit agreement with the Academic Honor Code, available at [honorcode.union.edu](https://honorcode.union.edu). It is each student's responsibility to ensure that submitted work is his or her own and does not involve any form of academic misconduct. Students are expected to ask their course instructors for clarification regarding, but not limited to, collaboration, citations, and plagiarism. Ignorance is not an excuse for breaching academic integrity. Students are also required to affix the full Honor Code Affirmation, or the following shortened version, on each item of coursework submitted for grading: "I affirm that I have carried out my academic endeavors with full academic honesty." [Signed, Jane Doe]"

d. **Accommodative Arrangements.** Any student with a documented disability needing academic adjustments or accommodations is **required** to notify me, **and to make the necessary arrangements with me**, by no later than **5:00 PM, January 16<sup>th</sup>, 2024**. Notifications received after this date will **not** be accommodated (unless a case is made as to why the deadline was not met). All discussions will remain confidential.

### **WARNING**

1. Given the nature of the course, procrastination could prove very costly. So, plan already! There are no bail-out provisions in this course!
2. Based on warning 1 above, it is absolutely essential that you keep up-to-date with the material covered and to do the various course requirements in a gradual fashion, starting from day one. In this spirit, there will be **no review sessions** prior to any of the examinations. Based on my experience in the past, review sessions could lead to moral hazard and free-rider problems. They may be counterproductive and work against the recommendations stated here. I am, of course, available throughout the term to help you with any questions or problems you might have regarding the course. Please do not hesitate to make an appointment to see me, if you need any help.

★ This is a WAC course.