

**Economics 314S:  
History of Modern Macroeconomics  
Fall 2017**

*Administrative Details*

*Instructor:* Professor K.D. Hoover

*Lecture:* 1:25-2:40 PM, Monday and Friday. Allen Building 304I.

*Office:* 07B Social Science Building (West Campus)

*Telephone:* 660-1876

*E-mail:* [kd.hoover@duke.edu](mailto:kd.hoover@duke.edu)

*Personal Website:* <http://public.econ.duke.edu/~kdh9/>

*Course website:*

<http://public.econ.duke.edu/~kdh9/Courses/History%20of%20Modern%20Macroeconomics/MacroHistoryMaster.htm>

*Office Hours:* While I am not holding regular office hours, I am easily available outside of class by appointment. Arrange an appointment either by talking to me before or after class or by e-mail.

*Prerequisites*

Econ 210D Intermediate Macroeconomics or equivalent or permission of instructor.

*Course Description*

The course is a careful examination of how the macroeconomics taught in modern textbooks and used to advise policymakers was developed, in part, in response to the fascinating social-scientific question, How does the economy really work?, and, in part, in response to a series of economic challenges: the Great Depression, World War II, the New Inflation of the 1950s, the need for economic development in the Third World as a response to the Cold War, the clash between the Great Society social programs of the 1960s and the need to finance the Vietnam War, the oil crises of 1973 and 1980, the stratospheric interest and inflation rates of the late 1970s and 1980s, and the financial collapse after 2007. Ideally, the course will provide a valuable context for economics students to help them to better understand the importance of the macroeconomics that they learn as part of their major and to enrich and deepen their understanding of that macroeconomics and how it can be used in public policy. This course is listed as a writing course.

*Academic Ethics*

I will hold you to strict standards of academic ethics. Please click on the [Academic Honesty](#) link on the [course website](#) for the detailed policy.

### *Required Work and Grading*

There are *three required graded parts* to the course:

1. *Short assignments*: 40 percent. These assignments are meant to make sure that you are up to speed on, and engaged in, the primary readings. I will give instructions about the assignments in class, and on the course website.
2. *Class participation*: 20 percent. The class will be conducted as a mixture of lecture and discussion, and participation is essential. Students are expected to be prepared to discuss topics and to participate actively.
3. *Either a term paper or a final examination*. 40 percent. More information about these components will be given later in the semester.

See the Rules for Late or Missed Assignments on the course website for information on that topic.

### *Readings*

All readings are electronically accessible: go to the Readings link on the course website. From there, you can download through links to a secure directory. *I will send the login and password information for the secure directory to registered members of the class by e-mail.* (If you need the login and password and don't have it, please e-mail me.) Unless I make an explicit announcement to the contrary, you should have already completed the readings and any written work before the discussion section on a given topic and preferably before the lectures relevant to that topic.

**Key:** \* = primary (i.e., original) historical source material;  
 unstarred items = secondary sources (i.e., commentary).  
 (*Note well:* secondary sources are not less important for the class.)

### **Topic 0. Overview of the History of Modern Macroeconomics**

*(It will help to contextualize the later material in the class if students read these surveys before starting on readings for the lecture topics listed below.)*

Roger Backhouse, *The Ordinary Business of Life: A History of Economics from the Ancient World to the Twenty-First Century*. Princeton: Princeton University Press, 2002. Also published as *Penguin History of Economics*. London: Penguin Books, 2002. (*Readable, if highly compressed, history of economics from the beginning to the present.*)

Robert Dimand, "Macroeconomics, History Up to 1933," in *International Encyclopedia of the Social & Behavioral Sciences*, 2nd edition, pp. 406-413.

Kevin Hoover, "Macroeconomics, History of From 1933 to Present," in *International Encyclopedia of the Social & Behavioral Sciences*, 2nd edition, pp. 400-405

### **Topic I. The Background to Modern Macroeconomics (before the 1930s)**

#### A. MONETARY ECONOMICS

Antoin Murphy, *The Genesis of Macroeconomics: New Ideas from Sir William Petty to Henry*

*Thornton*. Oxford: Oxford University Press, 2009, chapter 5, pp. 95-119.

\*Hume, David, "Of Money," in *Essays: Moral, Political, and Literary*, Eugene F. Miller, ed.. Indianapolis: LibertyClassics (reprints an 1885 edition, originally 1752).

\*Irving Fisher, *The Purchasing Power of Money*. Fairfield, N.J.: Augustus M. Kelly, reprint of 1935 edition (originally 1911), ch. 2.

## B. BUSINESS CYCLES

Mary Morgan, *The History of Econometric Ideas*. Cambridge: Cambridge University Press, 1990, ch. 2.

Roger Backhouse, *The Ordinary Business of Life: A History of Economics*. Princeton: Princeton University Press, 2002, ch. 10, pp. 211-227.

David Laidler, *Fabricating the Keynesian Revolution*, Cambridge: Cambridge University Press, 1999, ch. 2, pp. 27-31.

## Topic II. The Great Depression (the 1930s)

### A. KEYNES AND HIS CRITICS

David Laidler, *Fabricating the Keynesian Revolution* (1999), ch. 4 & 5 excerpts, pp. 79-82; 105-116.

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

\*J. R. Hicks, Mr. Keynes and the "Classics"; A Suggested Interpretation," *Econometrica* 5(2), 1937, pp. 147-159.

David Laidler, *Fabricating the Keynesian Revolution* (1999), ch. 12.

Kevin D. Hoover "Dr. Keynes: Economic Theory in a Diagnostic Science," in Roger Backhouse and Bradley Bateman, editors, *Cambridge Companion to Keynes*.

### B. MACROECONOMETRICS

Ronald G. Bodkin, Lawrence R. Klein, and Kanta Marwah, *A History of Macroeconometric Model-Building*. Aldershot: Edward Elgar, 1991, ch. 1, pp. 12-21 and ch. 2, pp. 31-41.

Mary Morgan, *The History of Econometric Ideas*. Cambridge: Cambridge University Press, 1990, ch. 4.

## Topic III. World War II and the New Economics (1939-1950)

John W. Kendrick, "The Historical Development of the National-Income Accounts," *History of Political Economy* 2(2), 1970, pp. 284-315.

\*Lawrence Klein, *The Keynesian Revolution*, chs. 3 and 7.

\*Lerner, Abba, "Functional Finance and the Federal Debt," *Social Research* 10(1), 1943 (reprinted in Smithies and Butters, eds. *Readings in Fiscal Policy*. Homewood, IL: Irwin, 1955, pp. 468-478.

\*Paul Samuelson, *Economics: An Introductory Analysis*. New York: McGraw-Hill, 1948, chs. 11 and 12.

## Topic IV. The Managed Economy (1945-1975)

### A. MODELING AND CONTROLLING THE MACROECONOMY

Roger Backhouse, *The Ordinary Business of Life*, ch. 13.

Ronald G. Bodkin, Lawrence R. Klein, and Kanta Marwah, *A History of Macroeconometric Model-Building*. Aldershot: Edward Elgar, 1991, ch. 2, pp. 41-53.

### B. THE EMPIRICAL MICROFOUNDATIONS OF MACROECONOMICS

Kevin D. Hoover, "Microfoundational Programs," in Pedro Garcia Duarte and Gilberto Lima Tadeu, editors. *Microfoundations Reconsidered: The Relationship of Micro and Macroeconomics in Historical Perspective*. Cheltenham: Edward Elgar, 2012, pp. 19-61 (esp. pp. 28-45).

\*Milton Friedman, *A Theory of the Consumption Function*, Princeton: Princeton University Press, 1957, chs. 1, 2 (pp. 20-37), and 9.

### C. ACCOUNTING FOR GROWTH

Verena Halmayer and Kevin D. Hoover, "Solow's Harrod: Transforming Cyclical Dynamics into a Model of Long-run Growth," *European Journal of the History of Economic Thought* 23(4), 2016, pp. 561-596.

Mauro Boianovsky and Kevin Hoover, "In the Kingdom of Solovia: The Rise of Growth Economics at MIT, 1956-70," *History of Political Economy* 46(supplement), 2014, pp. 198-228.

\*Donella H. Meadows, et al., *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind*. New American Library, 1972.

\*Robert M. Solow, "Is the End of the World at Hand?" *Challenge* 16(1), 1973, pp. 39-50.

### D. THE PROBLEM OF INFLATION

\*A.W.H. Phillips, "The Relation Between Unemployment and the Rate of Change of Money Wages in the United Kingdom 1961-1957," *Economica* (1958).

\*Paul A. Samuelson, and Robert M. Solow, "Analytical Aspects of Anti-inflation Policy," *American Economic Review* (1960).

Kevin D. Hoover, "The Genesis of Samuelson and Solow's Price-Inflation Phillips Curve," *History of Economics Review* 61(Winter), 2015, pp. 1-16. [read pp. 2-7 only].

\*Milton Friedman, "The Role of Monetary Policy," *American Economic Review* (1967).

James Forder, "The Historical Place of the 'Friedman-Phelps' Expectations Critique," *European Journal of the History of Economic Thought* 17(3), August 2010, 493-511.

David Laidler, Review of James Forder: *Macroeconomics and the Phillips Curve Myth*. Published on the Societies for the History of Economics Listserv 29 October 2015.

Supplementary: Kevin D. Hoover, *A Review of A Few Hares to Chase: The Economic Life and Times of Bill Phillips* by Alan Bollard. on EH.Net: [http://eh.net/book\\_reviews/a-few-hares-to-chase-the-economic-life-and-times-of-bill-phillips/](http://eh.net/book_reviews/a-few-hares-to-chase-the-economic-life-and-times-of-bill-phillips/)

[This short review gives some biographical information about the fascinating life of A.W.H. Phillips.]

**Topic V. Stagflation and the Monetarist Counter-Revolution (1963-1975)**

- \*Milton Friedman and Anna J. Schwartz, *A Monetary History of the United States* (1963), chapter 13.
- \*Nicholas Kaldor, "The New Monetarism," *Lloyd's Bank Review* (1970).
- \*Peter Temin, "Lessons for the Present from the Great Depression," *American Economic Review* 66(2), May 1976, pp. 40-45.
- J. Daniel Hammond, *Theory and Measurement: Causality Issues in Milton Friedman's Monetary Economics*. Cambridge: Cambridge University Press, 1996, ch. 7.

**Topic VI. The Macroeconomics of the Great Moderation (1975-1995)**

- David Laidler, "The New-classical Contribution to Macroeconomics," *Banca Nazionale Del Lavoro Quarterly Review*, March 1986, pp. 27-55
- N. Gregory Mankiw, "Real Business Cycles: A New Keynesian Perspective" *Journal of Economic Perspectives* 3(3), Summer 1989, 79-90.
- David Romer, "The New Keynesian Synthesis," *Journal of Economic Perspectives* 7(1), Winter, 1993, pp. 5-22.
- Kevin D. Hoover, "Microfoundational Programs," in Pedro Garcia Duarte and Gilberto Lima Tadeu, editors. *Microfoundations Reconsidered: The Relationship of Micro and Macroeconomics in Historical Perspective*. Cheltenham: Edward Elgar, 2012, review pp. 19-28 and read anew pp. 46-55.

### *Tentative Class Schedule*

The schedule of lectures is tentative and may well change depending on how things go.

Week 1	Monday 8/28/17	<b>Topic I. Background to Modern Macroeconomics:</b>
		<i>Lecture 1</i>
	Friday 9/1/17	<i>Lecture 1 continued</i>
Week 2	Monday 9/4/17	<b>LABOR DAY: NO CLASS</b>
	Friday 9/8/17	<b>Topic II. The Great Depression (the 1930s):</b>
		A. Keynes and His Critics:
		<i>Lecture 2</i>
Week 3	Monday 9/11/17	<i>Lecture 2 continued</i>
	Friday 9/15/17	<i>Lecture 2 continued</i>
Week 4	Monday 9/18/17	<i>Discussion</i>
	Friday 9/22/17	B. Frisch, Tinbergen and the Beginnings of Macroeconometrics:
		<i>Lecture 3</i>
Week 5	Monday 9/25/17	<i>Discussion</i>
	Friday 9/29/17	<b>Topic III. World War II and the New Economics (1939-1950):</b>
		<i>Lecture 4</i>
Week 6	Monday 10/2/17	<i>Lecture 4 continued</i>
	Friday 10/6/17	<i>Discussion</i>
Week 7	Monday 10/9/17	<b>FALL BREAK: NO CLASS</b>
	Friday 10/13/17	<b>NO CLASS: PROFESSOR HOOVER AT CONFERENC</b>
Week 8	Monday 10/16/17	<b>Topic IV. Modeling and Controlling the Macroeconomy (1945-1975):</b>
		A. Macroeconometric Model Building:
		<i>Lecture 5</i>
	Friday 10/20/17	<i>Discussion</i>
Week 9	Monday 10/23/17	B. The Empirical Microfoundations of Macroeconomics:
		<i>Lecture 6</i>
	Friday 10/27/17	<i>Discussion</i>
Week 10	Monday 10/30/17	C. Accounting for Growth:
		<i>Lecture 7</i>
	Friday 11/3/17	<i>Lecture 7 continued</i>
Week 11	Monday 11/6/17	<i>Discussion</i>
	Friday 11/10/17	D. The Problem of Inflation:
		<i>Lecture 8</i>
Week 12	Monday 11/13/17	<i>Lecture 8 continued</i>
	Friday 11/17/17	<i>Discussion</i>
Week 13	Monday 11/20/17	<b>Topic V. Stagflation and the Monetarist Counter-revolution (1963-1982):</b>
		<i>Lecture 9</i>
	Friday 11/24/17	<b>THANKSGIVING BREAK: NO CLASS</b>
Week 14	Monday 11/27/17	<i>Lecture 9 continued</i>
	Friday 12/1/17	<i>Discussion</i>
Week 15	Monday 12/4/17	<b>Topic VI. The Macroeconomics of the Great Moderation (1975-1995):</b>
		<i>Lecture 10</i>
	Friday 12/8/17	<i>Discussion</i>