George Mason University
Spring Semester
Macroeconomic Theory
Economics 104

Professor Dr. Thomas Carl Rustici
Office Enterprise Hall Room 322
Hours MWF 9:30-10:15 & 1:00-2:45 pm
Phone 993-1137
Web Page mason.gmu.edu/~trustici

Objectives The lectures and readings in this course are designed to familiarize students with the fundamentals of macroeconomic theory. The central focus this course takes is an understanding of the process of price formation in a free exchange economy. A wide variety of market institutions such as the price system, monetary system, the profit-loss system, speculation, financial intermediaries, and the structure of production are explored for their coordinative roles with respect to aggregate economic activity. Also, we will examine the economics of public choice that highlights the elementary dynamics of the political marketplace. Finally, the basic microeconomic and macroeconomic principles are applied to a wide variety of larger economic issues such as inflation, unemployment, national income, economic growth and development, the business cycle etc.

Grades There are four exams in this course, three midterms and a comprehensive final. Make-up for exams is only permissible if the student notifies the instructor *before* the scheduled testing or because of extraordinary circumstances. All cases of unexcused absences for tests receive a zero. **THERE IS NO CURVE IN THIS CLASS**. The course grade is weighted as follows:

Exam 1 20%
Exam 2 20%
Exam 3 20%
Final 40%

Required Texts

Macroeconomics by J. Gwartney & R. Stroup (GS)
Economics in One Lesson by Henry Hazlitt (HH)
Economic Policy by Ludwig von Mises (LM)
What Has Government Done to Our Money by Murray Rothbard (MR)

There are also a few required readings on my web page or in my office. These short articles are denoted with an asterisk (*).

Attendance Regular attendance is absolutely crucial for successful completion of this course. If for any reason regular attendance becomes difficult, please notify the instructor as soon as possible. Furthermore, I expect students to be on their best behavior while in class. This means no joking around, horseplay, excessive noise, eating or drinking etc. Disruptive students will be removed from the class and receive an immediate "**F**" for the course.

Honor This course demands the highest standard of conduct. Cheating or plagiarism is not tolerated in any way. Violation of this code results in an immediate failing grade for the course and a report to the GMU Honor Committee.

Week 1 ***Spontaneous Order: The Big Picture***
(GS) Chapters 1-2
(HH) Chapters 1-3.
(*) Dwight Lee and Robert Mcknown, "***Order From Chaos***"
Class Handout: Leonard Reed, "***I Pencil***"

Week 2 Microeconomic Theory & Macroeconomic Fundamentals
(GS) Chapter 3
(HH) Chapter 15
(*) Hans Sennholz, "***The Formation and Function of Prices***"

Week 3 ***The Price System and Economic Coordination***
(GS) Chapter 4
(HH) Chapters 16-19
(*) Thomas Rustici,"***A Public Choice View of the Minimum Wage***"

Exam 1

Week 4 ***Comparative Advantage, Exchange and International Trade***
(GS) Chapters 17-18
(HH) Chapters 11-14
(LM) Chapter 5
(*) Frederick Bastiat, "***The Balance of Trade***"
Class Handouts: "***The Candlemaker's Petition***" & "***On Foreign Trade***"

Week 5 ***Money, Capital and the Structure of Production***

(GS) Chapters 7 & 8
(HH) Chapters 4-9
(LM) Chapter 4
(MR) Chapters 1-3
(*) Carl Menger, "***The Origin of Money***"
Class Handouts: "***The Island of Stone Money***" and ***Money Through History***

Week 6 ***The Quantity Theory of Money: Episodes in Hyperinflation***

(GS) Chapters 12 & 13 and Special Topics 1-2
(HH) Chapter 22
(MR) Chapter 4
(*) Milton Friedman, "***The Cure for Inflation***"
(*) R.A. Radford, "***The Economic Organization of a POW Camp***"
Class Handouts: Money and Inflation Data and "***Hyperinflation***"

Exam 2

Week 7 ***The Classical Macro Model & the Significance of Say's Law***

(GS) Chapter 9 & 10
(*) J.B. Say, "***Of The Demand or Market for Products***"

Week 8 ***The Keynesian Model***

(GS) Chapter 11
(HH) Chapters 21, 23-25
(LM) Chapter 3
(**) Thomas Rustici, "***The Classical Macro Model and the Keynesian Revolution***"
(*) Ludwig von Mises, "***Stones Into Bread, The Keynesian Miracle***" and "***Lord Keynes and Say's Law***"

Week 9 ***Macroeconomic Theory and America's Great Depression***

(GS) Special Topics 3-5
(*) Thomas Rustici, "***Government Policy and America's Great Depression***"

Week 10 ***Monetarism: The Quantity Theory and Expectations***

(GS) Chapter 14 & Special Topics 6-7
(*) Milton Friedman, "***The Role of Monetary Policy***"
(*) M. Friedman,"***Nobel Lecture: Inflation and Unemployment***"

Week 11 ***Rational Expectations, Supply-side Economics and the Breakdown of the Neoclassical Synthesis***

(GS) Chapter 15

(*) Thomas Rustici, "***Estimating the Size of America's Underground Economy***"

Class Handouts: ***Tax Cuts and Government Revenue***

Exam 3

Week 12 ***Austrian Economic Theory***

(LM) Chapter 1

Week 13 ***Public Choice: The Economics of Politics***

(GS) Chapters 5-6

(*) Thomas Rustici and Alan Koczela, "***Public Goods and Public Choice***"

(*) ***Federalist Papers: 10 and 51***

Week 14 ***The Economics of Growth and Development***

(GS) Chapters 16

(LM) Chapters 2,6

(*) Ludwig v. Mises, "***Facts About the Industrial Revolution***"

Final Exam May 8 10:30 a.m. - 1:15 p.m.