

## Econ 320. Modern Money, Banking, and the Macroeconomy

Fall 2020

Lewis and Clark College  
Department of Economics

**Time:** MWF 2:10P - 3:10P

**Location:** *ONLINE* (Zoom link on Moodle)

**Prerequisite:** ECON 302

**Credits:** 4

**Website:** Log on Moodle

**Instructor:** Éric Tymoigne

**Office Hours:** MWF 3:10P-4:00P, or by appt.

**Office:** Zoom link on Moodle for office hours

**Email:** etymoigne@lclark.edu

**Phone:** 503-768-7629 (no message, email instead)

### Required book:

Wray, L.R. (2015) *Modern Money: A Primer on Macroeconomics for Sovereign Monetary System*. **2<sup>nd</sup> Edition**. New York: Macmillan.

Kelton, S. (2020) *The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy*. New York: PublicAffairs

Tchervneva, Pavlina R. (2020) *The Case for a Job Guarantee*. Medford, MA: Polity Press.

Tymoigne, E. and L.R. Wray (2014) *The Rise and Fall of Money Manager Capitalism: From World War II to the Great Recession*. New York: Routledge. (AVAILABLE ELECTRONICALLY THROUGH THE WATZEK LIBRARY. NO NEED TO BUY).

### Recommended book

Mitchell, W.F. and J. Muysken. (2008) *Full Employment Abandoned: Shifting Sands and Policy Failures*. Cheltenham: Edward Elgar

Hockett, Robert C. (2020) *Financing the Green New Deal: A Plan of Action and Renewal*. New York: Palgrave Macmillan

Pigeaud, F. and Samba Sylla, N. (upcoming) *The Last Colonial Currency: A History of the CFA Franc*. Pluto Press.

**Course Description:** The course combines the insights obtained from Money and Banking and Intermediate Macroeconomics to explore the inner workings of monetarily sovereign economies like the United States, Japan, Canada, Sweden, and the United Kingdom. In order to do so Modern Money Theory and the Minskian analysis are used. The course shows that monetarily sovereign governments have special properties that allow them to promote financial stability, full employment and price stability. National accounting identities are used to separate the economy in three broad sectors: government, domestic private, and rest of the world. The first part of the class analyzes national accounting identities to explain how sectors are interrelated. The second part of the classes focuses on the government sector and the inner working of government financing. This detailed institutional analysis is used to draw some causalities and policy implications that form the core of Modern Money Theory. The third part of the class focuses on the domestic private sector and analyzes it by using Minsky's financial instability hypothesis.

**Course Goals:** At the end of the course, students should be able to understand 1) that financial positions of economic sectors are interrelated and at least one of them must be in deficit if another is in surplus 2) that monetarily sovereign government are not subject to any effective budget constraints 3) why central bank exist and how they operate in the economy 4) How financial crises occur and their consequences on the economy 5) Use the framework develop in class to understand current economic problem like Social Security financing, the Eurozone crisis, and the 2008 financial crisis.

**Students Learning Outcomes:** The course has several goals: 1) to develop critical thinking 2) to help students understand the different interpretations of how the financial system works 3) to study how the financial system interacts with the rest of the economy 4) to provide a solid foundation to understand current economic events 5) to summarize efficiently papers and present them clearly.

**Expectations:** You are expected to participate and to focus on the lecture (turn off your cellular phone, have the appropriate material, do not chat, arrive on time, etc.). Moreover, students are expected to read the assigned material before the lecture. Do not hesitate to ask questions, to make pertinent remarks, or to give your opinion about a concept presented in class; this may lead to a fruitful discussion. If you have any problems regarding the class, you can come to my office or you can send an email to me. In the latter case, if appropriate, I will reply by sending the answer to all the students of the class.

**Grade:** Grades will be determined in the following way:

<i>Numeric Score</i>	<i>Letter Grade</i>
95 – 100	A
90 – 94	A-
87 – 89	B+
84 – 86	B
80 – 83	B-
77 – 79	C+
74 – 76	C
70 – 73	C-
67 – 69	D+
64 – 66	D
60 – 63	D-
0 – 59	F

The following weights will be applied (all elements are worth 100 points):

Participation: 15%

Presentations: 15%

Assignments: 15%

Midterm 1: 15%

Midterm 2: 15%

Final Project: 25%

**It is your responsibility to keep all records of work done, emailed correspondences, and grades obtained. This will come handy if you think your grade is not accurate.**

**Oral presentations:** While I will lecture, at the end of a session you will have to present articles that illustrate and complement the lecture. Additional guideline is available on Moodle.

**Final exam:** You have two choices. A paper or making a short document that explains something you learn in the course for the general public.

- Paper: You must write a paper on a subject studied in class and must present it to the rest of the class for 15 minutes (followed by 5-10 minutes of questions). The final version of your paper is due December 11<sup>th</sup> and no late paper will be accepted. Check the schedule below for other deadlines. Paper should be about 3500-word long (excluding bibliography and title page) and

double spaced. Any plagiarism will lead to any immediate F for the paper (this policy is strictly enforced: cite your sources and be sure to understand what plagiarism is).

- Documentary: You can use YouTube videos (<http://www.youtube.com/create>), Xtranormal, Goanime, graphic novels, comic books. The length of the video should be around 6 minutes. If your video gets an A, it will be submitted for publication on the New Economic Perspective blog that gets thousands of viewers a day (Acceptance is subject to final approval by the NEP administrator). The goal is to make a complex problem simple, easy to follow and funny so that potential viewers are attracted. Samples of past videos can be found here: <https://www.youtube.com/channel/UCGzin8bJBf2UjNi0qmcwz0A>

For inspiration the following are very good blogs that regularly write about topics related to this course:

- Calculated Risk— <http://www.calculatedriskblog.com>
- Naked Capitalism— <http://www.nakedcapitalism.com>
- Interfluidity— <http://www.interfluidity.com>
- Credit Writedowns— <http://www.creditwritedowns.com>
- The Center of the Universe— <http://www.moslereconomics.com>
- Billy Blog— <http://bilbo.economicoutlook.net/blog/>
- New Economic Perspectives from Kansas City— <http://neweconomicperspectives.blogspot.com>

In the future, you may want to participate to the building of this: [http://mmtwiki.org/wiki/Main\\_Page](http://mmtwiki.org/wiki/Main_Page)

**Participation:** Participation is based on involvement in class, that is, answering questions, asking questions, making pertinent remarks. Involvement also means doing the required work on time, reading the syllabus carefully before asking a question regarding the course, and coming to my office if you have a problem to understand what was discussed in class. Attending the class is also part of participation but perfect attendance only will not give you 100% of the participation grade. The participation grade is calculated in the following way: 40% for attending the class, 15% for paying attention, for reading your syllabus before asking an administrative question to me, and for completing your work on time, 45% for answering questions, asking questions, making relevant comments (a relevant comment is not necessarily a valid statement; it may be incorrect but it may help to enlighten the discussion), and participating to discussions.

**Attendance:** Attendance is mandatory. I will take roll at the beginning of every lecture, and, if you miss more than three sessions, I will discount your participation grade.

**Make-up exams:** Make-up exams will not be granted unless you can provide a written justification from the relevant person (doctor, coach, etc.) that explains why you could not take the scheduled exam.

**Academic Integrity.** According to the Lewis & Clark College's Academic Integrity Policy: "Acts of academic dishonesty involve the use or attempted use of any method or technique enabling a student to misrepresent the quality or integrity of his or her academic work. Academic dishonesty with respect to examinations includes but is not limited to copying from the work of another, allowing another student to copy from one's own work, using crib notes, arranging for another person to substitute in taking an examination, or giving or receiving unauthorized information prior to or during the examination. Academic dishonesty with respect to written or other types of assignments includes but is not limited to: failure to acknowledge the ideas or words of another that have consciously been taken from a source, published or unpublished; placing one's name on papers, reports, or other documents that are

the work of another individual, whether published or unpublished; flagrant misuse of the assistance provided by another in the process of completing academic work; submission of the same paper or project for separate courses without prior authorization by faculty members; fabrication or alteration of data; or knowingly facilitating the academic dishonesty of another.” During in-class exams, cheating will result in an immediate F for the exam and plagiarism will result in severe sanctions.

**Students with Disabilities:** If you have a disability that may impact your academic performance, you may request accommodations by submitting documentation to the Student Support Services Office in the Albany Quadrangle (x7156) ([http://www.lclark.edu/offices/student\\_support\\_services/](http://www.lclark.edu/offices/student_support_services/)). After you have submitted documentation and filled out paperwork, staff in that office will notify me of the accommodations for which you are eligible.

**Writing Center and Math Skills Center:** If you would like to get some help to improve your English or your math skills do not hesitate to go to the Writing Center in the Albany Quadrangle (writenow@lclark.edu or x7505) and the Match Skills Center located underground in the Biology-Psychology Building (benowicz@lclark.edu or x7569).

**Tentative Class Schedule Fall 2020**

Weeks	Days	Topics	Required Material	Additional
Week 1	31-Aug	Basic concepts	Tymoigne 1 Wray's Interview on Bloomberg	
	2-Sep	MMT: A point of entry	Kelton 1, 2	
	4-Sep	MMT: A point of entry	Kelton 3, 4	
Week 2	7-Sep			Labor Day
	9-Sep	MMT: A point of entry	Kelton 5, 6	
	11-Sep	MMT: A point of entry and summary	Kelton 7, 8	
Week 3	14-Sep	National Accounting and Macroeconomic Financial Interrelations	Wray, 1 Papadimitriou et al. 2002, Goldley 2000,	Ritter 1963, Tymoigne 24 Tymoigne 2007
	16-Sep			
	18-Sep			
Week 4	21-Sep	Creating and Defining Monetary Sovereignty	Wray 2 Forstater 2005, 2006	<a href="#">Mitchell</a> , Wray 2003 Goodhart 1998
	23-Sep			
	25-Sep			
Week 5	28-Sep	Implementing Monetary Sovereignty Fiscal and Monetary Coordination:	Wray 3, 4 Tymoigne 6 Tymoigne 2014	<a href="#">Mitchell</a> Fulwiller 2008, Kahn 2010, Lovett 1978, Bell 2000, Garbade 2014 Wray 2003,
	30-Sep			
	2-Oct			
Week 6	5-Oct	Implications of Monetary Sovereignty: Macroeconomics	Mitchell and Muysken 8 Tymoigne 2020 Tymoigne 202x Wray 2019	
	7-Oct			
	9-Oct			
Week 7	12-Oct	Implications of Monetary Sovereignty: Sound Finance vs Functional Finance	Wray 4, 5 Ruml 1945 Lerner 1943	Godley 1992
	14-Oct			
	16-Oct	<b>MIDTERM 1</b>	<b>WEEK 1- 7</b>	
Week 8	19-Oct	MMT and Macroeconomic Policies: The Public Purpose, Public Debt and Fiscal Deficits	Wray 7 Tymoigne 2019 Parisien: "Origins of 3% Deficit" Senate and House Proposed Resolutions against MMT	
	21-Oct			
	23-Oct			
Week 9	26-Oct	MMT and Macroeconomic Policies: Full Employment and Price Stability	Wray 8 Harvey 2000, Mitchell and Muysken 5 Tcherneva, 5, 6 Wray, et al. 2018	9 Brady 2003,
	28-Oct			
	30-Oct			
Week 10	2-Nov	MMT and Macroeconomic Policies: Social Security and other entitlements	<a href="#">Kelton</a> , <a href="#">Wray 2002</a> Eisner 1998 , Wray 1990	Galbraith et al 2009a Galbraith et al 2009b
	4-Nov			
	6-Nov			
Week 11	9-Nov	The Financial Instability Hypothesis	Tymoigne and Wray: 1 Minsky 1992	
	11-Nov			
	13-Nov			
Week 12	16-Nov	<b>MIDTERM #2</b>	<b>WEEK 8-11</b>	
	18-Nov	Financial Fragility: An International Historical Perspective	Minsky 1984, Knutsen and Lie 2002, Kregel 2003, Borio 2012	
	20-Nov			
Week 13	23-Nov			Thanksgiving
	25-Nov			
	27-Nov			
Week	30-Nov	Financial Instability and Money	Tymoigne and Wray: 2, 3	

14	2-Dec	Manager Capitalism	Wray 2009, Mcgranahan and Berman 2014, Perugini et al 2015	
	4-Dec			
Week 15	7-Dec	PRESENTATIONS	PRESENTATIONS	PRESENTATIONS
	9-Dec			
	11-Dec			
<b>TAKE HOME FINAL: EMAIL ME YOUR FINAL PROJECT BY December 15<sup>th</sup>, 4:00P</b>				

Note: "Wray 1" refers to chapter 1 of Wray book. All papers are on Moodle.