Economics 490bb A Century of Macroeconomics: History, Thought, and Policy Prof. Adam Guren Spring 2026

Professor Adam Guren guren@bu.edu
270 Bay State Road, Room 406
Office Hours: W 3:30-5, M 9-10:30 (before March 19), Tu 11-12:15 (after March 19), and by appointment. *Please email ahead so I can stagger students*.

Course Description:

It has been almost 100 years since the Great Depression and 90 years since John Maynard Keynes' magnum opus, *The General Theory of Employment, Interest, and Money*, launched short-run macroeconomics as a distinct field. During that time, we transitioned from a fiscal policy-dominated to a monetary policy-dominated to a hybrid approach. We have fought depression, inflation, financial meltdowns, and pandemics. This course examines how and why macroeconomics has changed over the last 100 years. To do so, it braids together macroeconomic history, theory, and policy into a single grand narrative.

Historically, the course will examine the Great Depression, the Great Inflation, the Great Moderation, and the Great Recession. The course will study Keynes and the Keynesians, Friedman and the Monetarists, Lucas and Rational Expectations, the New Keynesians and optimal monetary policy, the liquidity trap, and more recent developments linking the financial system, housing market, inequality, and household heterogeneity to the macroeconomy. The course will also examine the history of the Federal Reserve and monetary policy, from the Gold Standard to Volcker and Greenspan, and conventional policy to Bernanke and Yellen, and more recent unconventional policies. Throughout, the focus will be on understanding several core models, the implications of theory for policy in practice, how policymakers think, and the links between history, thought, and policy. The course aims to present macroeconomics as a debate among various worldviews, encouraging students to think critically about the strengths and weaknesses of macroeconomic theory.

Course Prerequisites: If you wish to take the course but are unsure whether you have met the prerequisites, please contact the professor prior to enrollment. The only ironclad prerequisite is 202/222.

- 1. EC 202/222 and EC 203/223: I will assume you have seen macroeconomics at the 202/222 level.
- 2. Math 121, 123, or equivalent: This will be a mathematically advanced course when we cover core models. Understanding intellectual history fully requires discussing models in mathematical form. I will only use differential calculus. If you can solve a constrained optimization problem and take first-order conditions, you will have enough background.

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3. I will use some econometrics (taught in EC 204/224), but this will be a minor component of the course and is not a prerequisite.

Teaching Fellow:

Stefan Dietrich sjdietri@bu.edu
Office hours 1-3 Monday and 3-4 Friday in 270 Bay State Road, Room B17.
Stefan will grade problem sets and hold office hours.

Grading:

25% Midterm Exam in class on March 545% Final Exam (cumulative) scheduled by Registrar in exam period25% Problem Sets and Response Papers5% Course Debates and Participation

Course Requirements:

1. **Reading**. The readings will be an integral part of the course, and I expect you to do them. I will call on people to discuss the readings, and your participation will affect your grade. Unlike most economics courses, which use textbooks to explain models discussed in class, this class requires a significant amount of historical background, primarily presented through the readings.

Most readings will be posted through links on the course website or syllabus. There are three books I would like you to read: 21st Century Monetary Policy by Ben S. Bernanke; Lords of Finance: The Bankers Who Broke the World by Liaquat Ahamed; and Firefighting: The Financial Crisis and Its Lessons by Ben S. Bernanke, Timothy F. Geithner, and Henry M. Paulson, Jr.

The syllabus will be updated, so please check the most recent version.

2. Class Discussions and Debates: We will have several course discussions and debates to discuss policy decisions and intellectual debates. These are an integral part of the course.

You will be asked to prepare for the debates by reading background material and providing a reading and debate preparation response paper to be sent to the instructor. Your response paper will count as a problem set (see below), and participation in the discussions and debates will comprise 5% of your grade.

I want the debates to be respectful. I hope everyone will listen to their classmates, discuss their ideas respectfully, and avoid personal or *ad hominem* attacks. Students who are not respectful in the debate will be graded down.

3. **Problem Sets**: There will be several problem sets and response papers (tentatively 7 problem sets and 5 response papers) over the course of the semester.

The response papers will be on historical or policy material to prepare you for the class debates and discussions described above.

The problem sets will largely focus on models and the mathematical course content. You will also be asked to analyze policy. These problem sets are meant to be difficult; I want you to engage with them and am less concerned that you get everything correct than that you attempt and engage with the entire problem set. To that end:

- a. The problem sets will be graded:
 - Zero: Nothing was turned in
 - Check Minus: The student did not make a good-faith effort to solve the entire problem set.
 - Check: The student made a good-faith effort to solve the entire problem set.
 - Check Plus: The student got almost the entire problem set correct.
- b. You can collaborate with others in the class on problem sets (but not response papers), but you must (a) acknowledge your collaborators and (b) do your own write-up of your solutions.
- c. The problem sets should be written up clearly and concisely. You can either type up your answers or clearly handwrite them and scan them. You will submit your problem sets through the Blackboard website.
- d. The lowest two of the 12 problem sets and response papers will be dropped.
- e. You may not use AI, plagiarize answers, or get any outside help on the problem sets or response papers.
- f. Any work (problem set or response paper) that is not turned in by the due date will be given a zero unless the instructor provides an exception or extension <u>before the due date</u>. If you are sick or require an extension due to unusual circumstances, please reach out <u>prior to the due date</u>. Late work will not be excused after the due date unless a student is incapacitated and is unable to contact the instructor prior to the due date.
- g. Any questions about grading should be directed to the TF within one week after the problem set is returned. If questions remain after communicating with the TF, contact the instructor. If a re-grade is requested, the instructor will re-grade the *entire* problem set not just one contested part. No re-grades will be considered beyond the one-week deadline.
- 4. **Exams**. There will be two in-class exams, as indicated above. The pen-and-paper exams will combine mathematical model questions along the lines of the problem sets with

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multiple choice, true/false/uncertain, short answer, and short essays on history, thought, and policy beyond the core models. The exams will cover both readings and the lecture.

Exam Policies: The exams will be closed notes and will not require the use of a calculator. Only a pen and/or pencil is allowed.

I take cheating on exams very seriously. I will enforce reasonable rules during exams to prevent cheating, including limiting access to any phones, communication devices, or watches, maintaining distance between students, and checking IDs.

Regrade policy: A student may request that the instructor regrade the exam. This will trigger a regrading of the *entire* exam and not just the contested section. It is possible that the re-grade could lead to either an increase or a decrease in the students' exam scores.

Course Policies:

Academic Conduct: Students must act in accordance with BU's Academic Conduct Code, which is available at https://www.bu.edu/academics/policies/academic-conduct-code/. Confirmed cases of misconduct may result in a failing grade and are taken very seriously.

Laptops and Cell Phones: I ask that students not use cellular phones, social media, or similar devices in class. I also ask that students not use laptops or tablets. This article explains why: https://www.nytimes.com/2017/11/22/business/laptops-not-during-lecture-or-meeting.html. If you need to use a laptop or tablet for educational/learning reasons, please come talk to me about it and I can exempt you from this policy.

To that end, I will post my lecture notes online prior to class. If you find it useful, you are encouraged to take notes on printed-out versions of the lecture notes.

Attendance and Participation: Participation is encouraged. Please ask questions! Because this is a new course, I may accidentally use terms that you do not know or assume you know things that I have not taught you. If and when this happens, please ask. You may also have questions to which I do not have the answer. I will try to answer questions I cannot answer in real time within a week.

Regular attendance is crucial to success in this course. Students who miss class are responsible for learning the material covered by the instructor in class on their own. On days with a debate, students will receive a zero for their participation in the debate if they do not contact the professor with a good reason for their absence **prior** to the debate.

Plagiarism: Plagiarism will be taken very seriously and is not allowed. Plagiarism refers to both directly lifting language or paraphrasing an idea without attribution in your response papers or problem sets. Given this, *there is no reason for you not to cite sources that you use liberally*. Doing so repeatedly and using quotations from sources that you

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attribute to them is perfectly fine, and I will not mark you down for doing so. Plagiarism arises when you do not appropriately cite sources.

Use of Artificial Intelligence: I believe it is important that you read the primary sources and other readings, not simply read AI-generated summaries. I also believe it is crucial that you prepare for the debate yourself and do not rely on AI to write your response papers. I will be able to tell who did not actively prepare for the debate in the class discussion, and grades will be adjusted accordingly.

Accommodations: Students with any disabilities who wish to receive academic accommodations or auxiliary aids must provide documentation from the Disability and Access Office. If this applies to you, please contact the professor as soon as possible – preferably the first week of class – so we can work out appropriate accommodations.

Feedback:

I care a lot about this course's success and want to ensure it is interesting, rewarding, and that you understand the material. Consequently, I want to encourage you to give me feedback about the course. If you do not fully understand something or if something is not interesting, tell me. If a reading was too difficult or too long, let me know. You will *never* be penalized for giving me constructive feedback.

Day-By-Day Agenda

Part 1: The Great Depression and Keynes

January 20 (1): Introduction; A Primer on Money and Banking

January 22 (2): 19th Century Business Cycles and Central Banks, The Creation of the Federal Reserve, and Bank Runs

January 27 (3): The Lead-Up to the Great Depression: Classical Economics, the Gold Standard, and World War I and Its Aftermath

January 29 (4): The Great Depression I: Narrative of the Depression

February 3 (5): The Great Depression II: Explanations and Policy

February 5 (6): Keynes and *The General Theory*

February 10 (7): The Keynesians and the Keynesian Model: IS-LM and the Phillips Curve

Part 2: The Post-War Economy, Great Inflation, and Anti-Keynesians

February 12 (8): The 50s and 60s: The Keynesians Ascendant, the Post-War Order, and Math Enters Economics

February 17: Monday Schedule

February 19 (9): The Anti-Keynesians: Milton Friedman, Consumption, and the Monetarist Revolution

February 24 (10): Consumption

February 26 (11): The 1970s and the Great Inflation (Midterm Covers Through Here)

March 3 (12): The Volcker Disinflation, Labor Supply

March 5 (13): Midterm Exam

March 17 (14): Rational Expectations, the Lucas Critique, and Real Business Cycles I

March 19 (15): Real Business Cycles II

Part 3: The New Keynesians and the Science of Monetary Policy

March 24 (16): The New Keynesian Model I: Motivation and Evidence

March 26 (17): The New Keynesian Model II: The Three Equation Model and Medium Scale Models

March 30 (18): Optimal Monetary Policy Under Discretion

April 2 (19): Rules-Based Policy, the Great Moderation, and the 1980s

April 7 (20): The 1990s and the Greenspan Fed, Monetary Policy in Practice

Part 4: The 21st Century

April 9 (21): Finance and Macroeconomics and the 2000s

April 14 (22): The Great Recession I: Narrative of the Crisis

April 15 (23): The Great Recession II: Explanations and Policy

April 21 (24): The Zero Lower Bound Unconventional Policy in the Wake of the Great Recession

April 23 (25): 21st Century Fiscal Policy and New Models of Consumption and Savings

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April 28 (26): The COVID Pandemic and the 2020s Inflation and Disinflation

April 30 (27): Heterogeneous Agent New Keynesian Models, Conclusion

Class-By-Class Readings and Assignments

Class 1: Introduction; Primer on Money and Banking

• Lords of Finance Introduction, Ch. 1-6

Class 2: 19th Century Business Cycles and Central Banks, The Creation of the Federal Reserve

- *Lord of Finance* Ch. 7-10
- 21st Century Monetary Policy, Introduction section "Early Years" only (pages xii to xv)

Class 3: The Lead-Up to the Great Depression: Classical Economics, the Gold Standard, and World War I and Its Aftermath

• *Lords of Finance* Ch. 11-15

Class 4: The Great Depression I: Narrative of the Depression

• Lords of Finance Ch. 16-19

Class 5: The Great Depression II: Explanations and Policy

- *Lords of Finance* Ch. 20-23
- 21st Century Monetary Policy, Introduction Section "The Great Depression" only (pages xv to xvii)
- Christina Romer, "The Great Depression," *Encyclopedia Britannica*. https://eml.berkeley.edu/~cromer/Reprints/great_depression.pdf
- Response paper 1 (Due 3 pm day before class): The Causes of the Great Depression

Class 6: Keynes and *The General Theory*

- Robert Skidelsky, *Keynes: The Return of the Master*. Available from BU Library at https://ebookcentral.proquest.com/lib/bu/reader.action?docID=794490&ppg=119. Read only sections:
 - o Ch. 3: "A Many-Sided Genius" p. 75-80.
 - o Ch. 4: "Keynes's Economics" p. 103-119.

Class 7: The Keynesians and the Keynesian Model: IS-LM and the Phillips Curve

- Review IS-LM and AD-AS from intermediate macro notes and/or textbook
 - Any textbook works (whatever you used in 202/222).
 Mankiw 11th Edition is on reserve at the library.
- Romer, "Short Run Fluctuations" at https://eml.berkeley.edu/~dromer/papers/ISMP%20Text%20Graphs%202013.pdf
 P 1-12, 54-64
- Problem Set 1 Due (Diamond-Dybvig and Investment)

Class 8: The 50s and 60s: The Keynesians Ascendant, the Post-War Order, and Math Enters Economics

- Federal Reserve History, "Creation of the Bretton Woods System" https://www.federalreservehistory.org/essays/bretton-woods-created
- 21st Century Monetary Policy, Ch. 1 p. 3-6 (through Johnson tax cut), 14-22 (section on William McChesney Martin)

Class 9: The Anti-Keynesians: Milton Friedman, Consumption, and the Monetarist Revolution

- Encyclopedia Britannica, "Milton Friedman" https://www.britannica.com/money/Milton-Friedman
- Milton Friedman, 1968, "The Role of Monetary Policy," *American Economic Review*. https://www-jstor-org.ezproxy.bu.edu/stable/1831652?sid=primo&seq=11
 - This may be somewhat difficult to read. Do your best. This is one of the most important speeches in the history of economics, and I want you to read it in its original form
- Problem Set 2 Due (Keynesian Model and IS-LM)

Class 10: Consumption

- No required reading. You may find it useful to find a textbook that covers the 2-period consumption problem and the Euler equation, but I do not think it is worth buying a book for this as the notes should be self-contained.
 - Mankiw does not have this
 - o In the optional Kurlat textbook this is Ch. 6.2.

Class 11: The 1970s and the Great Inflation

- 21st Century Monetary Policy, Ch. 1 p. 6-14 (from Johnson Tax cut through The Evolving Phillips Curve), Ch. 2 p. 23-30 (section on Arthur Burns but not Paul Volcker)
- Planet Money, "The Case For Fed Independence in the Nixon Tapes," https://www.npr.org/2025/01/10/1223918033/richard-nixon-arthur-burns-fed-independence.
- Thomas Drechsel, "The Economic Consequences of Political Pressure on the Federal Reserve." VoxEU. https://cepr.org/voxeu/columns/economic-consequences-political-pressure-federal-reserve.
- Jeanna Smialek, "America's Inflation Villain Gets a Makeover," *The New York Times*, https://www.nytimes.com/2023/04/21/business/economy/arthur-burns-inflation-paul-volcker.html. (Note: You can access the NY Times through the BU Library as described here https://www.bu.edu/library/nyt/).
- Problem Set 3 (Consumption) Due Monday 3/3

Class 12: The Volcker Disinflation, Labor Supply

- 21st Century Monetary Policy, Ch. 2 p. 30-43 (remainder of chapter starting with section on Volcker)
- New York Times The Daily Podcast, "Inflation Lessons from the 1970s."
 https://www.nytimes.com/2022/03/16/podcasts/the-daily/inflation-interest-rates-fed-volcker.html (see https://www.bu.edu/library/nyt/ for accessing NYT through BU).
- For labor supply, the notes will be self contained. If you would find it useful for background, section 1 of "Work and Leisure" by Jon Steinsson is optional https://eml.berkeley.edu/~jsteinsson/teaching/labor.pdf

Class 13: Midterm Exam

Class 14: Rational Expectations, the Lucas Critique, and Real Business Cycles I

- Royal Swedish Academy of Sciences, "Press Release: The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 1995."
 https://www.nobelprize.org/prizes/economic-sciences/1995/press-release/
- Excerpt from Greg Kaplan's manuscript available on the course website.

Class 15: Real Business Cycles II

- Lawrence Summers, "Some Skeptical Observations on Real Business Cycle Theory," Federal Reserve Bank of Minneapolis Quarterly Review, 1986. Available online at: https://www.minneapolisfed.org/research/quarterly-review/some-skeptical-observations-on-real-business-cycle-theory
- Edward Prescott, "Response to a Skeptic," *Federal Reserve Bank of Minneapolis Quarterly Review*, 1986. Available online at: https://www.minneapolisfed.org/research/quarterly-review/response-to-a-skeptic
- Response Paper 2 (Due 3 pm day before class): Prescott-Summers Debate

Class 16: The New Keynesian Model I: Motivation and Evidence

There is not a great and simple presentation of New Keynesian economics. So I have few related readings.

- Paul Krugman, "Babysitting the Economy." Slate. https://slate.com/business/1998/08/baby-sitting-the-economy.html
- N. Gregory Mankiw, "The Macroeconomist as Scientist and Engineer." *Journal of Economic Perspectives*, https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.20.4.29

Class 17: The New Keynesian Model II

- Start *Firefighting* (due Class 23)
- Problem Set 4 Due (Real Business Cycles)

Class 18: Optimal Monetary Policy Under Discretion

Marvin Goodfriend (2007), "How the World Achieved Consensus on Monetary Policy,"
 Journal of Economic Perspectives,
 https://www.aeaweb.org/articles?id=10.1257/jep.21.4.47

Class 19: Rules-Based Monetary Policy, the Great Moderation, and the 1980s

- 21st Century Monetary Policy, Ch. 3
- Problem Set 5 Due (New Keynesian Model)

Class 20: The 1990s and the Greenspan Fed

- Planet Money (2024), "The Rise and Fall of Long Term Capital Management" https://www.npr.org/2025/02/21/1232862544/long-term-capital-management-ltcm
- Laurence Meyer, "Come with Me to the FOMC," https://www.federalreserve.gov/boarddocs/speeches/1998/199804022.htm.
- Response paper background reading on the course website.
- Response Paper 3: (Due 3 pm day before class): Greenspan and Monetary Policy

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Class 21: Finance and Macroeconomics and the 2000s

- Marketplace (2024), "Alan Greenspan's Greatest Legacy May be the Fed's Independence" https://www.marketplace.org/2024/01/10/alan-greenspan-legacy-fed-independence/ (listen or read transcript)
- Ben Bernanke (2016), "Sebastian Mallaby's Biography of Alan Greenspan," https://www.brookings.edu/articles/sebastian-mallabys-biography-of-alan-greenspan/
- 21st Century Monetary Policy, Ch. 4

Class 22: The Great Recession I: Narrative of the Crisis

- Firefighting (due next class)
- This American Life (2009), "The Day the Market Died" https://www.thisamericanlife.org/365/another-frightening-show-about-the-economy/act-one. (only act 1)
- Problem Set 6 Due (Optimal Monetary Policy)

Class 23: The Great Recession II: Explanations and Policy

- Firefighting
- 21st Century Monetary Policy, Ch. 5
- Response Paper 4 (Due 3 pm day before class): The Causes of the Great Recession

Class 24: The Zero Lower and Unconventional Policy in the Wake of the Great Recession

• Ken Kuttner (2018), "Outside the Box: Unconventional Monetary Policy in the Great Recession and Beyond" *JEP*. https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.32.4.121. (Skim or skip section "Unconventional Monetary Policy and Interest Rate Effects")

Class 25: 21st Century Fiscal Policy

- Jonathan Paker (2014), "The Effectiveness of Tax Rebates as Countercyclical Fiscal Policy," https://cepr.org/voxeu/columns/effectiveness-tax-rebates-countercyclical-fiscal-policy.
- Valerie Ramey (2019), "Ten Years After the Financial Crisis: What Have We Learned from the Renaissance in Fiscal Research?"
 https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.33.2.89

Class 26: The COVID Pandemic and the 2020s Inflation and Disinflation

- Readings: Fed press conference excerpts and SOMC report for Response Paper 5.
- Jeanna Smialek (2021), "The Finanical Crisis the World Forgot"

 https://www.nytimes.com/2021/03/16/business/economy/fed-2020-financial-crisis-covid.html. You can access NYT through BU libraries at

 https://www.bu.edu/library/research/collections/nyt/
- Response Paper 5 (Due 3 pm day before class): The Post-Pandemic Inflation

Class 27: Heterogenous Agents and Heterogeneous Agent New Keynesian Models, Conclusion

- Gianluca Violante (2021), "What Have We Learned from HANK Models, Thus Far?" https://violante.mycpanel.princeton.edu/Teaching/Sintra2021 Violante v5.pdf
- Problem Set 7 Due (ZLB, Unconventional Policy)

Summary Of Due Dates

- Monday, February 2: Response Paper 1 due by 3 pm
- Tuesday, February 10: Problem Set 1 due by 2 pm
- Thursday, February 19: Problem Set 2 due by 2 pm
- Monday, March 2: Problem Set 3 due by 2 pm
- Thursday, March 5: Midterm Exam in class (covers through lecture 11)
- Wednesday, March 18: Response Paper 2 due by 3 pm
- Thursday, March 26: Problem Set 4 due by 2 pm
- Thursday, April 2: Problem Set 5 due by 3 pm
- Monday, April 6: Response Paper 3 due by 2 pm
- Tuesday, April 14: Problem Set 6 due by 3 pm
- Wednesday, April 15 Response Paper 4 due by 2 pm
- Monday, April 27: Response Paper 5 due by 3 pm
- Thursday, April 30: Problem Set 7 due by 2 pm
- Exam Period (Scheduled by Registrar): Final Exam (cumulative)