

Fall 2014
University of Utah
M W: 11:50 – 1:10

Dr. Erturk
Office: OSH – 354
T: 1-2pm

ECON 5050/6050-01: Keynes on Human Logic

The objective of the course is to provide an in-depth understanding of Keynes's economics, and discuss its relevance for the economic problems we face today in the aftermath of the financial crisis. The course starts with an introductory discussion of his political and philosophical views and the historical context within which they were shaped. Following a quick review of the textbook version of Keynes, Section II traces the evolution of his economic theory from its early beginnings to his most well-known *General Theory of Employment, Interest and Money*, along with an extended discussion of his views on financial speculation in his lesser known *A Treatise on Money*, the far reaching insights of which are only now being fully understood. Section III discusses Keynes's relevance for today not only in terms of his economics but also his political philosophy in shaping a better future.

Course Evaluation will be based on:

- 2 midterm exams (50%)
- final exam (25%)
- Term Paper or Project (25%)

'Class Participation and Attendance' will also potentially move your final grade, up or down, up to a half point.

Readings are from following books:

- Keynes, J.M. (1923). *Tract on Monetary Reform - (TMR)*
- Keynes, J.M. (1930). *A Treatise on Money – (TM)*
- Keynes, J.M. (1931) *Essays in Persuasion – (EP)*
- Keynes, J.M. (1936), *The General Theory of Employment, Interest and Money – (GT)*
- Skidelsky, R. (2009). *Keynes. The Return of the Master*

with excerpts from:

- Knoop, T. (2008) *Modern Financial Macroeconomics. Panics, Crashes and Crises*
- Minsky, H. (1986) *Stabilizing An Unstable Economy*
- Peterson, W. (1988). *Income, Employment and Economic Growth.*

Course Outline

I. Introduction

i. Keynes in Historical Context

- Who is Keynes? An Overview – Skidelsky, Chp. 3
- Post WWI Europe – *EP*, Part I, Chp. 5; Part III, Chps 5,7
- Great Depression – *EP*, Part II, Chp. 5

ii. Keynes's Politics and Philosophical Outlook

- On the Long View and Good Society - *EP*, Part V, Chp 2
- On *Laissez-Faire* - *EP*, Part IV, Chp. 2
- On political philosophy - *EP*, Part IV, Chp. 3

II. Keynes's Economics

i. Review of Textbook Macroeconomics – Paterson, Chp. 4; Skidelsky, Chp. 4

ii. A Tract on Monetary Reform

- Price instability – Chps. 1, 2 and 3 (Section I)
- Internal *versus* external stability - Chp. 4

iii. A Treatise on Money

- Bank Money – Chps. 2, 3, 31
- Fundamental Equations – Chps. 9, 10, 11, 14
- Bank Rate and the Credit Cycle – Chps. 13, 15, 16
- External Equilibrium – Chps, 11 (Section VI), 21, 36, 38

iii. The General Theory of Employment, Interest and Money

- Propensity to Consume – Chps. 8 and 9
- Interest rate and liquidity preference - Chps. 13, 14 and 15
- Marginal efficiency of capital, Finance & Investment - Chps. 11 and 12
- Income and Output - Chp 10
- A General Restatement - Chp. 18,22

Iv. Post General Theory

- IS/LM Model and the Neoclassical Synthesis – Lecture Notes (KE)
- Rise and Fall of Keynesian Economics - Skidelsky, Chp. 5

III. Keynes's Relevance Today

- Financial Crisis and Keynes - Skidelsky, Chps. 1 and 2
 - *EP*, Part II, Chp. 7
 - Minsky, Chps. 8 and 9
 - Knoop, Chps. 5 and 6
- Keynes on managing capitalism - Skidelsky, Chps. 6, 7, 8; *GT*, Chp. 24
- Open Economy Macroeconomics – Temin and Vines, Chps. 5 and 6