Week 1 Discussion: Introductions

Instructions

- Click on “Reply” below to write or paste your response. Longer responses may be easier to write and spellcheck in a document first.
- When you have finished entering your reply click on the “Submit” button.
- Respond to at least 1 other students’ post.
- Check back frequently for new additions.

Discussion Prompt

- Introduce yourself to your peers and instructor by outlining:
  - a brief introduction of yourself
  - why you took this course
  - what you hope to learn during the course
  - remember, pictures are always welcome--even if it is of your pets! :)

  Weekly discussion posts should be a paragraph in length and represent your original thought and cognitive engagement in the course.

Week 2 Discussion: measuring GDP (chapter 6)

For this week's discussion post, we are going to debate Gross Domestic Product (GDP) and how do we measure it.

According to the standard definition, GDP measures the value of all final goods and services produced within a country in a given year. However, a large number of economists and social scientists argue that a great amount of goods and services do not enter the national account system. Crops produced in your own land for subsistence and/or direct exchange with neighbors, illegal markets (such as buying/selling illegal drugs or hiring/offering criminal services), and unpaid care work provided by family members and friends are great examples of activities that are not considered as part of GDP.

Watch [this short video]() in which Economist Dr. Nancy Folbre talks about work that is not considered by economists as part of income, savings, consumption, nor investment. Do you agree that unpaid work should be considered in GDP, since it directly affects paid work? She proposes a new definition of work; do you think that such definition better reflects contemporary relations of work, market, and non-market exchanges? Think about your own household; do you think that the time spent by your parents/guardians/family members with you should be considered an investment, and that it should matter when we talk about investment in education and well-being? What else, if anything, do you believe that should be included in GDP but is currently left invisible?

You are then free to comment/agree/disagree with fellow classmates' posts. If you do disagree, please make sure to clearly explain why, and provide all resources at the bottom of the post in APA/MLA formatting.

Important

- Read the prompt above carefully.
- Click on “Reply” to write or paste your answer. Longer answers may be easier to write and spellcheck in a Word document first. Your post should be at least 4 sentences long
- When you have finished entering your answer click on the “Submit” button.
- You should participate in the discussion board every week.
- **Minimum requirement**: You are expected to make your own post and comment on at least one other student’s post.

In your communication with other students, please:

- Expand on or clarify an important point.
- Offer an additional argument to support a position taken in an answer.
- Suggest ways in which an idea could be more clearly expressed.
- Identify passages where you think the writer misunderstood a concept or applied it incorrectly.
- Disagree with a point or position made in an answer.

If you disagree with the views of another student, please:

- Be constructive and respectful.
- Politely **critique a position on an issue, but not the person.**
- Avoid sarcasm, swearing, or language that would be considered rude or argumentative.
- State precisely the point you disagree with.
- Offer reasons why you think their view is incorrect and support your position by citing the text or other sources.

Week 3 Discussion: GDP growth (chapter 7)

For this week's discussion post, we are going to debate GDP growth.

In general, economists promote GDP growth as one of the most important objectives of macroeconomic policy. The benefits from growth can be very significant, since more wealth is associated with higher well-being. However, GDP growth also has costs, and because some of those costs are only visible in the long-run (while some benefits are, in general, observable in the short-run), it can be quite tricky to capture the real costs of GDP growth for a given society, and how some people experience those costs more than others.

In this sort piece written by the Dr. Arthur McEwan, he approaches this debate by claiming that the environmental costs of GDP growth can be too high, and that such growth does not make people a lot happier after all. Happiness, he argues, is more associated with equality than with growth itself. What are the three aspects of economic growth that Professor McEwan points out as the most significant? Do you agree that they are problematic? Classical economists believed that our needs and wants are based on what other people have; neoclassical economists, on the other hand, assume that there are no limits for humans wants, and more is always better. Which of those schools of economic thought (if any) do you believe that describes contemporary consumption habits more accurately? Finally, Professor McEwan advocates for more strict regulation, so that we can internalize the costs of growth to the people/companies generating those costs, instead of making the whole society pay. Can you think of other possible solutions for that problem, or do you agree with his suggestion?

Week 4 Discussion: Unemployment (chapter 8)

For this week's discussion post, we are going to debate how we measure unemployment, how we measure the active labor force, and we are going to compare basic characteristics of the United States versus the European labor markets.

In general, economists agree that there is a tradeoff between unemployment and employment benefits, such as health care, paid parental leave, paid vacation, and job stability. There is also an overall agreement that there's a tradeoff between unemployment and unemployment benefits. However, much less is said about employment benefits, unemployment benefits and how much those impact labor market participation.

Examine figures 2 and 3 in this blog by economists Zsolt Darvas and David Pichler. Figure 3 compares employment rates in the United States versus mean employment rates in 28 European Countries. As expected by mainstream theory, the actual unemployment rates in the United States--a labor market characterized by flexible labor laws, where most employment and unemployment benefits are limited and highly dependent on unionization and regional politics--are generally lower for recent years when compared to the unemployment rates of European countries--which are characterized mostly by strong labor laws, higher rates of unionization, and federally enforced generous employment and unemployment benefits. Figure 2, however, shows that, while the labor force participation rate is constantly decreasing for the United States, it shows a constant increase for European countries. Based on these graphs and your own knowledge acquired in this class, why do you think that people in the United States are less and less motivated to enter the labor market, while people in Europe keep joining the labor market at increasing rates? Given the focus on unemployment rates in political and economic debates, do you think that the unemployment rate can be misleading when someone is not aware of other labor market characteristics (such as labor force participation rate, underemployment and rate of discourage workers)?

Week 6 Discussion: The AD/AS model (chapter 11)

For this week's discussion post, we are going to debate the AD/AS model in the context of the two most recent recessions: the 2008 crisis and the Coronavirus crisis.

In this Twitter thread posted by Nobel laureate economist Paul Krugman, he argues that government policy—stimulus checks for households and big government expenditure to help businesses keep their doors open, in particular—helped the fast (V-shaped) economic recovery after the Coronavirus crisis. Further, he claims that the economic recovery after the 2008 crisis could have been a lot faster if the government used similar policies, since there was a huge gap between real GDP and potential GDP at that period (as showed by the graph posted). Based on his arguments, do you believe that Dr. Krugman diagnoses the US economy as being at the Keynesian zone, intermediate zone or neoclassical zone of the AD/AS model in 2008/2009? How about in 2020/2021? Do you agree that the government could have used stimulus checks and similar policies for businesses to recover from the 2008 crisis?

Week 7 Discussion: The Keynesian Multiplier (chapter 12)

For this week's discussion post, we are going to debate the Keynesian expenditure multiplier, particularly the fiscal multiplier, which measures the impact of each dollar spent by the government on the aggregate output.

The table below shows different calculations for the Keynesian fiscal multiplier for the United States from different studies. As you can see, during periods of economic expansion (economy is at or above potential GDP), the multiplier is smaller than one (meaning that each dollar spent by the government generates a less-than-one dollar increase in GDP). During periods of economic recession (economy is below potential GDP), the multiplier is greater than one (meaning that each dollar spent by the government generates a larger-than-one dollar increase in GDP). Why do you think that the multiplier changes according to the level of economic activity? In your opinion, do these results strengthen or weaken the Keynesian argument about the importance of government intervention in aggregate demand during economic recessions? Why do you think that different economists find different results in their multiplier calculations?

Hint: if struggling, try an internet search of the term "crowding out" or take a look at chapter 17 in the textbook

Source	Multiplier during expansion	Multiplier during recession	Sample
Auerbach and Gorodnichenko (2012)	0.57	2.48	1947-2008
Gordon and Krenn (2010)	0.90	1.80	1913-1941
Fazzari et al. (2014)	0.60	1.60	1967-2012
Candelon and Lieb (2013)	0.50	2.40	1968-2010

Sources: Auerbach, A. J., Gorodnichenko, Y. (2012): Measuring the output responses to fiscal policy, American Economic Journal: Economic Policy, 4, pp. 1–27.
Candelon, B., Lieb, L. (2013): Fiscal policy in good and bad times, Journal of Economic Dynamics and Control, 37, pp. 2679–94.
Fazzari, S. M., Morley, J., Panovska, I. (2014): State-dependent effects of fiscal policy, Studies in Nonlinear Dynamics & Econometrics, ISSN (Online) 1558–3708, ISSN (Print) 1081–1826, DOI: 10.1515/snde-2014-0022, November 2014.
Gordon, R. J., Krenn, R. (2010): The End of the Great Depression 1939–41: Policy Contributions and Fiscal Multipliers, NBER Working Paper, n16380. National Bureau of Economic Research, Cambridge

Week 8 Discussion: The Keynesian versus the neoclassical perspective (chapter 13)

For this week's discussion post, we are going to debate the AD/AS model and how two different schools of economic thought interpret it, namely the Keynesian and the neoclassical schools.

This video pictures a hypothetical rap battle between economists John Maynard Keynes and Friedrich Hayek. Do you believe that the video does a good job in showing the Keynesian view of economics? Do you believe that Friedrich Hayek represents the neoclassical school of economics? Why or why not? In your opinion, do you think the collective who made the video favored one perspective over the other?

Week 10 Discussion: Banks and regulation (chapter 15)

For this week's discussion post, we are going to debate the role of banks in the economy, why the State regulates their activity and how that regulation can prevent or not the occurrence of crisis, using the 2008 financial crisis as our historical example.

On 23 October 2008, a few weeks after the collapse of the US investment bank Lehman Brothers, former US Federal Reserve chairman Alan Greenspan admitted that the accelerating financial crisis had shown him ‘a flaw’ in his belief that free, competitive markets would ensure financial stability. In a hearing of the US House of Representatives Committee on Oversight and Government Reform, Greenspan was questioned by the chair of the House Committee, Congressman Henry Waxman:

Chairman Waxman: Well, where did you make a mistake then?

Mr. Greenspan: I made a mistake in presuming that the self-interest of organizations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms. And it's been my experience, having worked both as a regulator for 18 years and similar quantities, in the private sector, especially, 10 years at a major international bank, that the loan officers of those institutions knew far more about the risks involved and the people to whom they lent money, than I saw even our best regulators at the Fed capable of doing. So the problem here is something which looked to be a very solid edifice, and, indeed, a critical pillar to market competition and free markets, did break down. And I think that, as I said, shocked me. I still do not fully understand why it happened and, obviously, to the extent that I figure out where it happened and why, I will change my views. If the facts change, I will change.

Chairman Waxman: Dr. Greenspan, Paul Krugman, the Princeton Professor of Economics who just won a Nobel Prize, wrote a column in 2006 as the subprime mortgage crisis started to emerge. He said, "If anyone is to blame for the current situation, it's Mr. Greenspan, who pooh-poohed warnings about an emerging bubble and did nothing to crack down on irresponsible lending." He obviously believes you deserve some of the blame for our current conditions.

[...]

Mr. Greenspan: I found a flaw in the model that I perceived is the critical functioning structure that defines how the world works, so to speak.

Chairman Waxman: In other words, you found that your view of the world, your ideology, was not right, it was not working.

Mr. Greenspan: Precisely. That's precisely the reason I was shocked, because I had been going for 40 years or more with very considerable evidence that it was working exceptionally well.

In this video, Nobel laurate economist Joseph Stiglitz talks about the impacts of that "flaw in the model", which caused a lack of regulation by the Federal Reserve. Which model do you believe that Mr. Greenspan was talking about (relate with the neoclassical, intermediate and Keynesian models of previous discussions)? Why does Professor Stiglitz argue that a lack of regulation incentivizes banks to "behave badly"? In the video, Stiglitz talks about the major macroeconomic effects that such "bad behavior" causes; what are some of these effects?

Week 12 Discussion: Exchange rates and merged currency (chapter 16)

For this week's discussion post, we are going to talk about some trade-offs involving the adoption of different monetary policies—namely a floating exchange range, a pegged exchange rate or a merged currency—focusing on the impacts of printing local currency versus using a merged one.

In this video, Dr. Barry Eichengreen explains some of the problems associated with floating exchange rates, and what some countries do to try to avoid those problems. Particularly, he uses three historical examples of pegged or merged currency: the Golden Standard of the late 19th Century, the European Monetary System of the 1980s and 1990s, and the Euro. What are some of the benefits of using a pegged or merged currency, when compared to a floating exchange rate, and what are some of the problems identified by Professor Eichengreen? What are some of the ways through which a country can alleviate the impacts of having a merged or hard pegged currency? Specifically, what are some of the characteristics of the Euro Zone that make it hard for countries to alleviate the impacts of an economic crisis? Finally, consider some communities in the United States that use their own local currency instead of the U.S. Dollar, like the Ithaca Hours (Ithaca, New York), the BerkShares (Berkshires region, Massachusetts), and the Bay Buck (Traverse City, Michigan). Given your knowledge of exchange rates and the benefits and problems of printing your own currency, do you think that those local policies make such communities economically stronger? Justify your answer.

Week 13 Discussion: The question of a balanced budget (chapter 17)

For this week's discussion post, we are going to debate the U.S. federal budget and the different opinions regarding the need (or not) for a balanced budget.

The comic here exhibits a satire about people's feelings regarding the federal budget: regardless of the result, they are never happy with it. In 1995, a proposed constitutional amendment that would require a balanced budget passed the U.S. House of Representatives by a wide margin and failed in the U.S. Senate by only one vote. As a result, the U.S. federal government doesn't have to run on a balanced budget by law, but a number of economists argue it should. In the comic, you can see some of the arguments used by the general public to claim that a balanced budget is not a good end goal, but what are some of the arguments that economists use to claim that it is a good idea? On the other hand, what are the economic arguments presented by balanced budget opponents? Do you agree with the complaints made by the comic characters about deficits or with the complaints regarding surpluses? (Or Both? Or Neither?) Justify your answers.

Week 14 Discussion: Public and private investment (chapter 18)

For this week's discussion post, we are going to debate the relationship between fiscal policy, public investment, private investment, technology generation and growth.

Watch this video from Dr. Mariana Mazzucato in the World Economic Forum. Instead of focusing on the possible crowding-out effect of government borrowing (meaning the possibility that public investment will discourage private investment in an economy), Professor Mazzucato argues that the state is the primary agent of innovation, using examples of successful companies of the United States to illustrate how risky, long-term investment is essential for the private sector to thrive, but discouraged by traditional markets. However, she argues, the profits of those public investments are increasingly privatized, while the costs are socialized (paid by the public through the government). What are some of the suggestions offered by Dr. Mazzucato to create a symbiotic (instead of parasitic/predatory) relationship between public and private investment? Do you agree? Consider the substantial government expenditure of the United States during the COVID-19 pandemic, and the positive impact that it had on households and businesses. In that context, do you think that the United States Government will and should get some of the profits that result from that investment? Justify your answers.