

# Levy Economics Institute MA/MS in Economic Theory and Policy

## Course Descriptions

January 19, 2023

### **ECON 501 Advanced Microeconomics: Value, Distribution, and Economic Well-Being**

*Core Course*

#### **Open to Year I**

This course provides an exposition of the analytical foundations of the classical (“surplus”) and neo-classical (“marginalist”) traditions in the theory of value and distribution. Given its dominance in contemporary economics, the latter tradition is emphasized in this course. The historical development of the marginalist theory of value is considered, as are critiques that focus on issues regarding its internal coherence and methodological difficulties. The remainder of the course examines the measurement of economic well-being and deprivation, including the substantive issues related to the determinants of the standard of living. Topics include Lorenz curves, social welfare functions, inequality indices, and poverty indices.

Fall Semester

*4 Credits*

### **ECON 502 Advanced Macroeconomics**

*Core Course*

#### **Open to Year I**

The primary objective of macroeconomic analysis is to explain the phenomena of aggregate movements in output, employment, and the price level. This course examines the intellectual influences that have shaped the development of macroeconomic theory and policy since the beginning of the 20th century. Students acquire the skills needed to: 1) identify the main theoretical and methodological differences among competing approaches; 2) discuss the empirical evidence supporting each approach; and 3) explain why particular policy instruments are considered appropriate (or inappropriate) for achieving macroeconomic stability.

Prerequisite: Intermediate Macro.

Fall Semester

*4 Credits*

## **ECON 503 Public Economics: The Political Economy of Government Expenditures and Taxation**

*Core Course*

### **Open to Year II**

This course examines the role of the state in modern capitalist economies. Students are introduced to alternative theories of state and government intervention. Mainstream approaches are discussed and contrasted with alternative approaches that emphasize social, historical, and institutional factors. Taxation is examined within the standard theory of value and distribution as well as within the classical and Kaleckian approaches; public expenditures, including the provision of education and health care, are analyzed. Topics in the theory of redistribution and the welfare state form the final portion of the course. Readings include a mix of classic works, authoritative surveys, and recent work on specialized topics.

Prerequisite: ECON 501

Fall Semester

*4 Credits*

## **ECON 504 Macroeconomic Stability**

*Elective Course*

### **Open to Year I and Year II**

This course will examine the nature of economic instability and financial crises, and the relative effectiveness of monetary and fiscal policies. Students will be introduced to John Maynard Keynes's investment theory of the business cycle and Hyman P. Minsky's financial theory of investment. They will examine several competing perspectives on the sources of instability and the theoretical justifications for macroeconomic stabilization policy. We will interrogate the impact of postwar stabilization policies on inflation, unemployment, and financial fragility, including but not limited to those during the 70s stagflation period, the 2008 Great Recession, and the COVID19-induced global crisis.

During the first half of the course, graduate students will read primary texts, including J.M. Keynes's *The General Theory of Employment, Interest and Money*, *How to Pay for the War*, and other policy writings from the interwar period. Students will then turn to the work of H.P. Minsky on banking and financial instability. This is a writing-intensive graduate seminar, where students will produce analytical synopses of the primary texts, which culminate in a research paper.

Spring Semester

*4 Credits*

## **ECON 505 Research Seminar**

*MA Core Course*

### **Open to MA**

Students will identify a research question for their MA paper. Each student will engage in researching the topic, elaborating the analysis required to answer their question and writing a paper that presents their research. At the end of the semester students will present this work to the faculty. Finished papers will be journal article length and contribute new research in one of Levy's program areas.

Spring Semester

*4 Credits*

## **ECON 508 Poverty, Gender, and Social Policy**

*Elective Course*

### **Open to Year I and Year II**

As countries around the world attempt to lessen the financial and political woes caused by the global economic crisis, discussions by policy makers and development organizations have again focused on the ‘feminization of poverty’. Many would say that a focus on women’s income poverty within this context is a positive sign that gender issues are high on the international political agenda. But as women worldwide have to contend with low incomes as a result of labor force discrimination, and prejudicial gender biases in resource allocation within their homes and communities, this is only part of the story. It is important to conceptualize poverty as multidimensional in order to move beyond preconceived assumptions about the interconnections between women and poverty and extend the analysis to additional aspects such as urban displacement, sustainability and human rights.

This seminar explores the historical development and multifaceted present-day realities of gender and poverty. We start with an overview of the characteristics of poverty in Latin America in comparison with the rest of the world; The historical development of the specific case of Argentina; the implementation and impact of job guarantee programs in general and Minsky’s proposal for an Employer of Last Resort; and the application of a similar program, the Jefes y Jefas de Hogar program in Argentina, its origin and evolution from 2001 to the present focusing on fieldwork done in the Province of Buenos Aires.

Spring Semester

*4 Credits*

## **ECON 511 History of Economic Thought**

*Elective Course*

### **Open to Year I and Year II**

The focus of this course is an examination of the “contest” between classical political economy and neoclassical theory in the context of their respective historical developments. Following an investigation into the origins and development of classical theory through Ricardo, we shall turn to the neoclassical challenge with emphasis on Jeremy Bentham and Jean Baptiste Say.

The post-Ricardian reaction of the 1820–1850 period will be given significant attention, followed by an examination of the “marginalist revolution” of the 1870’s. Twentieth century advances will be surveyed, and the work of Keynes and the post-WWII period will be given close scrutiny. In all this, relationships between earlier theory and current debates/controversies will be highlighted.

Fall Semester

*4 Credits*

## **ECON 513 Institutional Economics: Theory, Methods, and History**

*MA Core Course*

### **Open to Year I and Year II**

This course covers the major theories and methods comprising (Original) Institutional Economics beginning with Thorstein Veblen and extending to contemporary developments and applications. This includes theories of distribution, consumption and production. The historical evolution of the theories and their application to contemporary institutions is an organizing principle for the course. The connection to and compatibility with post-Keynesian instability theory and modern money theory is integrated as a component especially as applied to Veblenian theory. Pragmatic method, models, and logic are also an integral part of the course.

Fall Semester

*4 Credits*

## **ECON 517 Poverty, Inequality, and Wealth**

*Elective Course*

### **Open to Year I and Year II**

This course covers the various theoretical and empirical approaches to the measurement of economic well-being, poverty, and inequality, both in the United States, as well as more globally, touching on the most recent debates about poverty measurement and comparisons across countries, as well as measures developed at the Levy Institute. It considers characteristics of the distribution of income, consumption, and wealth, and their relative usefulness in terms of assessing the inequality of economic well-being and studies the disparate experiences of poverty and inequality by race and gender both within and across global regions. In addition, the course examines the impact of economic structures, policy, and development on poverty and inequality. Both mainstream and heterodox theoretical approaches to explaining poverty and inequality will be covered.

Fall Semester

*4 Credits*

## **ECON 518 Intersecting Inequalities**

*Elective Course*

### **Open to Year I and Year II (Offered alternating years)**

Economic inequality refers mostly to the differences among individuals in terms of income and wealth. In all societies, economic inequality is tied to other forms of social hierarchies. For example, gender differentials in earnings appear to be universal. These differences can interact with each other in reinforcing or ameliorating earnings differentials. The purpose of the course is to investigate such intersecting inequalities by examining their root causes, primarily using economic models and analyses, but also drawing from analyses in other disciplines such as history and sociology. We will also study their varying forms in the industrialized world, as well as in the Global South. The course will cover economic models of discrimination, with a focus on the following forms of social hierarchies: gender, race, immigrant/refugee status, sexual orientation, disability, ethnicity, and caste.

Spring Semester

*4 Credits*

## **ECON 519 Inequalities across Time and Space**

*Elective Course*

**Open to Year I and Year II (Offered alternating years)**

This course deals broadly with issues of economic inequality both across and as a result of movement through time and space. We will discuss economic models of discrimination, segregation and polarization, as well as measures of segregation and polarization and empirical applications (especially regarding polarization and conflict). We will consider various theoretical approaches to explaining rural-urban inequality and uneven development, including theories of unequal exchange, dependency theory, theories of imperialism, and world systems theories. We will also cover internal migration, development and inequality, international migration and its effects on inequality within nations, the economic dimensions of the refugee crisis and the costs and benefits of international migration.

Spring Semester

*4 Credits*

## **ECON 529 Research Methods I: Econometrics**

*Core Course*

**Open to Year I**

Econometrics is a set of statistical models used to explore the links among variables and make forecasts. As such, it is used, among other things: to test if economic theories are congruent with given sets of data; to verify the stability of links among variables over time; to make short-term predictions, say on stock market prices; and to build dynamic models for policy use.

Different statistical models are used for different types of data, including microeconomic surveys, time series, and panel data where different individuals are observed over time. The core of econometrics is the regression model, which can be applied to all type of datasets.

The course briefly reviews the basics of statistical inference (estimators and their properties; hypothesis testing), covering the multiple regression model, then moving to the analysis of time series (ARIMA models), with particular emphasis on stationarity, and concludes by exploring more complex dynamic models (VARs, error correction models, cointegration approaches).

Fall Semester

*4 Credits*

## **ECON 530 Research Methods II**

*Core Course*

**Open to Year I**

The stock-flow consistent (SFC) approach to macroeconomics emphasizes the importance of accounting consistency among the various stocks and flows of an economy for macroeconomic analysis. This framework allows a coherent and integrated approach to both the production and financial side of the economy, with the latter having an essential role for the macroeconomic outcome and not just being a “veil.” Such an approach is necessary if we want to understand the functioning of the modern capitalist economies and major macroeconomic events, such as the recent financial and economic crisis or the stagnation of the last few years.

This course aims to expose students to the main principles of SFC macroeconomics. Several theoretical models of increasing complexity will be studied and will be simulated with the use of statistical software

(Eviews, R). It will also be shown how this methodology can be used for macroeconomic policy purposes. In particular we will examine the SFC macro model of the Levy Economics Institute, used to produce the various Strategic Analyses and policy reports. The course will start with an in-depth examination of the related data sources, including national income accounts, flow of funds accounts, and accounts of international trade and capital flows.

The second half of this course aims to expose students to the key types and sources of data used for economic analysis and to provide insights into key technical areas of applied economic analysis at both the macro and micro levels with a special focus on the modeling techniques used in Levy Economics Institute research programs. At the micro level, we will cover a variety of data sources; household surveys, including labor force, income and expenditure, wealth and time use surveys. The associated methods examined include econometrics of cross-sectional data, distributional analysis and policy simulation. Finally, we survey statistical matching techniques including those used to create the synthetic datasets used in the LIMEW and LIMTIP.

The core data sources to be covered at the macro level include national income accounts; flow of funds accounts; and, accounts of international trade and capital flows. We will also discuss the main principles of the Stock-Flow Consistent (SFC) Methodology and how this methodology can be used for macroeconomic policy purposes. In particular we will examine the SFC macro model of the Levy Institute, used to produce the various Strategic Analyses and policy reports.

Pre-requisite: ECON 529

Spring Semester

*4 Credits*

## **ECON 531 Monetary Theory and Policy**

*Core Course*

**Open to Year I**

An investigation of monetary and theory and policy. We will examine both the mainstream and heterodox approaches to each. We will include a detailed examination of Modern Money Theory, which combines various strands of heterodoxy while also including contributions from historical, legal, and anthropological research.

Spring Semester

*4 Credits*

## **ECON 590 Financial Macroeconomics**

*Elective Course*

**Open to Year I and Year II**

This course seeks to join two separate disciplines—finance and macroeconomics. This conjunction is based on the recognition that finance and macroeconomics were initially integrated. It provides a natural extension of a line of research that dominated monetary theory in the early part of the 20th century. Economists such as Keynes, Robertson, Hawtrey, Fisher, Hayek, and Schumpeter sought to blend the analysis of business cycles with their (often first-hand) experience of money and financial markets. The result was a monetary theory that provided the fertile background to what came to be called macroeconomics.

*4 Credits*

## **ECON 602 Macro Dynamics/Macromodeling**

*Core Course*

### **Open to Year II**

This course focuses on the analysis of contemporary economic problems, viewed from a macroeconomic perspective. It begins with an overview of long-term structural patterns in developed economies, including the intrinsic nature of growth, the historical dynamics of unemployment, and the recurrence of structural economic crises over long intervals. Different approaches are systematically developed to address the fundamental issues in economic analysis. The final half of the course will develop a stock-flow accounting framework and demonstrate its connection to the “three balances approach” that underlies the Levy Institute’s Macromodel.

Prerequisite: ECON 502

Fall Semester

*4 Credits*

## **ECON 610 Research Workshop I**

*Core Course*

### **Open to Year II**

Students will develop and finalize their research topic. Each student will engage in directed literature research, prepare the literature survey chapter, and present a narrative thesis proposal, including a research agenda to be agreed upon with their supervisor, as well as the literature review and an assessment of how the research project will contribute to the final thesis. By the end of the semester students will present a summary of this work to the faculty.

Fall Semester

*2 Credits*

## **ECON 611 Research Workshop II**

*Core Course*

### **Open to Year II**

Students will continue work from Research Workshop I by working directly with their supervisors throughout the semester to produce a research thesis consisting of 60–80 pages, depending on the content.

Spring Semester

*2 Credits*

## **Econ 612 Policy Seminar**

*MA Elective/MS Core Course* The seminar will analyze non-conventional perspectives of theoretical and policy issues ranging from fiscal and monetary policy to development, inequality, and poverty. Invited speakers will discuss policy-oriented topics related to the Levy Economics Institute’s core research areas.

Fall Semester

*4 Credits*

## **ECON 617 Econometrics: Poverty, Inequality, and Social Science Research**

*Elective Course*

**Open to Year I & II**

This course exposes students to a variety of theoretical frameworks and empirical methods in applied microeconometrics, with a goal of providing the foundation necessary for conducting applied quantitative economic research. The primary focus of the course is microeconomic analysis, emphasizing the techniques used to analyze poverty, inequality, and welfare, as well as topics in program evaluation and cross-sectional econometrics. The course includes critical reading of published empirical research and the application of econometric methods using real-life data sets.

*4 Credits*

## **ECON 629 Applied Econometric Methods for Policy Analysis**

*Elective Course*

**Open to Year I & II**

This course is design to introduce students to econometric methods used in empirical research, with emphasis on the analysis and identification of causal effects. It aims to provide an overview and general guidelines on practical implementation, discussing the intuition behind the empirical methods. By the end of the course students should have a good understanding of the estimation of causal effects, as well as the main methods used to address this problem, and critically evaluate and interpret the output of such analyses.

*4 Credits*