New York University  
Robert F. Wagner Graduate School of Public Service  
P11.2138 Macroeconomics, Spring 2010  
Thursdays 8:00-9:40am, Silver 706

Professor Ron Miller

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Office hours: after class or by appointment

COURSE DESCRIPTION & OBJECTIVES

This course teaches the principles of macroeconomic policy in an international setting. The course focuses on developing a framework for understanding the forces that determine output, employment, inflation, interest rates, exchange rates, the trade deficit, and other key macroeconomic variables. This framework is used to evaluate different macroeconomic policies in the context of different national economic environments.

By the end of the course, students will understand:
- how an open macroeconomy functions, and why there are business cycles.
- the role of the Federal Reserve and other central banks, and the challenges they face in designing and implementing good monetary policy.
- the impacts of fiscal policy choices such as government budget deficits and large levels of public debt.

BOOKS

Required text:  

Optional supplement:  

Both books are available from the NYU Professional Bookstore.
PREREQUISITES
P11.1018 Microeconomics
P11.1021 Financial Management

This course requires a working knowledge of the material learned in these prerequisite courses. Students should be prepared to review and reference their books and notes from these classes throughout the semester – the prerequisite material will not be reviewed in class.

In addition, students must be able to draw and interpret graphs, and use algebra to manipulate and solve equations. If you are at all unsure about these skills, please work through the Wagner Math Review Course Packet chapters on graphing (p.48-79) and algebra (p.80-130): http://wagner.nyu.edu/current/services/files/mathReviewPacket.pdf

COURSE REQUIREMENTS

Class Preparation:
All readings should be done before the class for which they are listed. Additional required readings maybe posted on Blackboard or distributed in class. After each class, you should check your understanding of the material by doing the “Quick Check” problems at the end of each of the Blanchard chapters – answers are posted on Blackboard. The review problems in the study guide may also be helpful.

Class Participation (10 percent):
Your participation in class discussion is expected.

Five Written Assignments (20 percent):
These assignments are a series of problems based on material from recent classes. Details are posted on Blackboard. It is essential that you master these problems in order to learn the material. You will receive credit if you make a good faith effort to solve all of the problems in each assignment and turn in the assignment on time. Please make a copy of your assignment before turning it in. Solutions will be posted on Blackboard.

Exams (70 percent):
There will be an in-class midterm exam (30 percent) and a cumulative final exam (40 percent). There are no make-ups. If you have a conflict with the scheduled exam dates, you should not take this course.

Some class announcements will be distributed via NYU e-mail. Thus, it is important that you actively use your NYU e-mail account, or have appropriate forwarding set up on NYUHome https://home.nyu.edu/
STATEMENT OF ACADEMIC INTEGRITY

As members of the NYU Wagner community, we are all expected to adhere to high standards of intellectual and academic integrity. Wagner’s academic code can be found here: http://wagner.nyu.edu/current/policies/index.php

For this particular course, there are some specific behaviors required to meet our standards of academic integrity:

Assignments: Students may discuss problems from the assignments, but the write up of assignments must be done individually with no sharing of written answers.

Exams: All exams must be the sole work of the individual student.

Violations of these standards will automatically result in failure of the course and remand to the discipline committee for further action.
COURSE OUTLINE

All readings should be completed before the class for which they are listed.

Week 1. 21st January

Blanchard: (1) A Tour of the World (skim)
(2) A Tour of the Book
(3) The Goods Market (through p46)
(18) Openness in Goods and Financial Markets (through p385)

Week 2. 28th January

Blanchard: (18) Openness in Goods and Financial Markets (p386-p388)
(3) The Goods Market (p47 onwards)

Week 3. 4th February
Money, bonds, and the determination of interest rates and bond prices. The role of the banking sector. The operation of the Federal Reserve and other central banks. Money demand, money supply, open market operations and the Federal funds rate.

Blanchard: (4) Financial Markets
Ch. 13: Central Banks and the Federal Reserve System.

Assignment 1 is due in class

Week 4. 11th February
Equilibrium in goods and financial markets. The IS-LM model of interest rate and output determination in the short-run.

Week 5. 18th February
IS-LM applications and the nature of the business cycle. Monetary and fiscal policies for short-run stabilization.


Assignment 2 is due in class

Week 6. 25th February

Blanchard: (6) The Labor Market

Week 7. 4th March
Aggregate supply – aggregate demand model of output and inflation in the short and medium run. Dynamic effects of monetary and fiscal policy.

Blanchard: (7) Putting All Markets Together: The AS-AD Model

Assignment 3 is due in class

Week 8: Midterm exam. 11th March

Week 9. 25th March
The relationship between output, unemployment, inflation and money growth. The Phillips curve.

Blanchard: (9) Inflation, Activity, and Nominal Money Growth

Week 10. 1st April
The design and implementation of monetary policy. Money growth and inflation targets. The Federal Reserve’s current and past policy procedures. Monetary policy and asset-price bubbles.

Blanchard: (25) Monetary Policy
Week 11. 8th April

Blanchard: (26) Fiscal Policy

Assignment 4 is due in class

Week 12. 15th April
Interest rates and exchange rates. The goods market equilibrium for an open economy. The effect of domestic and foreign shocks on output and the trade balance.

Blanchard: (18) Openness in Goods and Financial Markets (p389 onwards)
(19) The Goods Market in an Open Economy (through p402)

Week 13. 22nd April
The effect of real exchange rate depreciations on output and the trade balance. Implications of trade deficits.

Blanchard: (19) The Goods Market in an Open Economy (p402 onwards)

Assignment 5 is due in class

Week 14. 29th April
Monetary and fiscal policy under flexible exchange rates. Fixed exchange rate regimes and monetary unions. Monetary and fiscal policy under fixed exchange rates.

Blanchard: (20) Output, the Interest Rate, and the Exchange Rate

Final Exam. 6th May
GRADING CRITERIA

Grades will be assigned according to the following criteria:

A  Excellent: Exceptional work for a graduate student. Work at this level is unusually thorough, well reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.

A-  Very Good: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.

B+  Good: Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.

B  Adequate: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.

B-  Borderline: Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”

C/-/+  Deficient: Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.

F  Fail: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.