COURSE DESCRIPTION AND OBJECTIVES

In this course you will be presented with the basic framework of macroeconomic analysis including a solid introduction to the “language” of macro and a detailed and sometimes in-depth review of the data used to describe macroeconomic activity. In particular we will study the market forces and policies that determine output, employment, inflation, interest rates, exchange rates, the trade deficit, and other key macroeconomic variables. Macroeconomic policy and its impacts on economic activity, along with the debates that surround policy will be studied. All of this is looked at in an historical context.

By the end of the course, students will understand: (1) How an open macro economy functions, and why there are business cycles. (2) The role of the Federal Reserve and other central banks, and the challenges they face in designing and implementing good monetary policy. (3) The impacts of fiscal policy choices such as government budget deficits and large levels of public debt.

REQUIRED BOOKS and READING MATERIALS


Roger Miller and Daniel Benjamin, *The Economics of Macro Issues*, Addison Wesley Publishers, Fourth Edition. These are very short explanations of particular phenomena. Readings will be assigned in class and do not appear in the class by class schedule below.

*The Economic Report of the President*, available online. The 2011 version will be available the first or second week of class.

We will also read articles from the Economist and the Wall Street Journal. I strongly recommend that you read these as much as you can through the semester. At various times I will point you to other articles and data compilations on the Internet.
COURSE REQUIREMENTS

Class Preparation:
All readings should be done before the class for which they are listed. Additional required readings may be posted on Blackboard or distributed in class.

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 will be 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 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.
Schedule and Session Content

Class 1 (January 27) and Class 2 (February 3): An Introduction to Macroeconomics, macroeconomic data and their relevance for public service and administration. These sessions are an introduction to macroeconomics including the tools, data, policies and analytical methodologies at our disposal. We will look at some of the history that underpins modern macroeconomics and will take a detailed look at of the circular flow of income, National Income and the National Income Accounts.

Readings: MB Chapters 1-3 (pp 2-76)
- Heilbroner: Introduction (chapter 1) and chapters 2 and 3 (p 13-74)
- Bureau of Labor Statistic on the National Income Accounts: on Blackboard
- Economic Report of the President, Tables

Class 3 (February 10) and Class 4 (February 17): Money, Prices and inflation in the Macro Economy. These lectures, define money, its uses, the price level and inflation. Also included is a brief description of Monetary Policy but only in the sense of how it works. We come back to this in greater detail when we talk about stabilization policy. This is also where we study the institutional structure and tools of the Federal Reserve System.

Readings: MB Chapter 4 including the Appendix (77-120)
- ERP Tables on Money supply, prices
- FED publications

Class 5 (February 24): Unemployment and Labor Markets: Here we study the nature of the labor market, the measures and causes of unemployment and changes in these over the last 60 years.

Readings: MB Chapter 6
- Heilbroner (Marx) Chapter vi
- Labor data on Blackboard

Class 6 (March 3): Issues in an Open Economy and the Nature of Government taxes. In this lecture we look at the impact exports and imports and international capital flows have on our economy’s circular flow. We will look at the determination of exchange rates and their importance as well. In the last part of this class we will briefly look at the types and magnitudes of taxes that exist in federal, state and local taxation systems.

Readings: MB Chapter 5
- Tables from the Economic Report of the President
- Information on Taxes on Blackboard

Class 7 (March 10) Midterm Exam

March 17 is part of NYU’s Spring Holiday
Schedule and Session Content (Continued)

Class 8 (March 24): The Nature of Economic Growth: Much of economic analysis centers on economic growth and the things that cause it. In this lecture we look at growth from the historical perspective and look closely at the attributes of economic systems that seem to drive economic growth.

Readings: MB Chapters 7 and 8
   Heilbroner ( The Gloomy Presentments) Chapter iv

Class 9 (March 31): The Business Cycle: This lecture is a look at Business Cycles, what we think causes them and some of the tools we use to study the economy through the business cycle including the index of leading indicators and National Income.

Readings: MB Chapter 9
   Economic Report of the President
   Index of Leading Indicators (Blackboard)

Class 10 (April 7) and Class 11 (April 14): The IS-LM Model: In these lectures we study the classical IS-LM model and its components. Much of the insight we have related to macroeconomic policy impacts comes from this model.

Readings: MB Chapters 10 and 11
   Heilbroner (Keynes) Chapter ix

Class 12 (April 21) The Philips Curve: Here we look at the fundamental tradeoff between inflation and employment that can result from macro policy. It is the core of much of the current macro debate in Congress and the FED.

Readings: MB Chapter 12

Class 13 (April 28) Stabilization Policy and the Federal Deficit: This session looks at the actual effects, pitfalls, benefits and general problems with stabilization policy and the implications of large government deficits and debt.

Readings: MB Chapters 13 and 14

Class 14 (May 5) Asset Bubbles, Asset Crashes and the impacts and financial markets: In our last session we look briefly at the large swings that frequently occur in various asset markets (from tulips to mortgages and homes) and how those swings impact financial markets and economic stability

Readings: MB: pp442-450 and 538-565
   Michael Lewis The Big Short

Class 15 (May 12) Final Exam
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.