NEW YORK UNIVERSITY
ROBERT F. WAGNER SCHOOL OF PUBLIC SERVICE

PADM-GP2138
Macroeconomics, Global Markets, and Policy
Spring 2016

Time: Tuesday 6:45pm-8:25pm
Classroom: Silver, Room 414

Instructor: Prof. Ngina Chiteji
E-mail: nc518@nyu.edu
Office hours: Mondays 5:30 - 7:30 pm in Room 410, 1 Washington Place Bldg. <NO LONGER JUST 'TENTATIVE'>

Course description

This course teaches the principles of closed and open-economy macroeconomics with an emphasis on macroeconomic policy. The course develops a framework for understanding the forces that determine national output, employment, inflation, interest rates, exchange rates, international trade, capital flows and other key macroeconomic variables. This framework is used to evaluate macroeconomic policies in the context of different national environments.

By the end of the course, students will understand: (1) The measurement and behavior of key macroeconomic aggregates, including output, unemployment, and the price level; (2) The role of central banks and the challenges they face in designing and implementing monetary policy; (3) The impact of fiscal policy choices, such as their effects on national output, government budget deficits, and the accumulation of public debt.

Prerequisites

The prerequisites for this course are CORE-GP 1018 (Microeconomics) and CORE-GP1021 (Financial management).

This course requires a working knowledge of the material learned in the prerequisite courses. Students should review their textbooks and notes from the prerequisite courses before this course begins, and refer to them throughout the course as needed.

Students must be able to draw and interpret graphs, and to use algebra to manipulate and solve equations. If you are unsure about these skills, please work through the relevant chapters of the Wagner Math Review Course Packet that is available online.

Website

I will use NYU Classes to post announcements and documents for this course. I also may send announcements through the NYU Classes e-mail system, so please check your NYU email regularly or set up email forwarding from that system.

Attendance

Attendance is mandatory for this class. Accordingly, if you cannot make our class meetings, please do not take the course at this time. While each student will be allowed 2 free misses in order to take account of the possibility that you might fall ill during the semester, you are expected to attend all class meetings (unless you fall sick). Students who skip class will have their course grade marked down by one-third for each absence. 1

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1 So, for example, if you would have earned an A in the course, but you missed a day beyond the 2 free 'sick' days, your course grade would be lowered to an A-minus.
Books and other readings

Required books

Recommended

Note: I recommend that you purchase this text. You should be able to find a copy at amazon.com if the bookstore does not have copies. However, if your budget constraint won't allow you to buy the book, you have the following options: [1] Read the library's e-copy. [2] Borrow the print copy that is on reserve at Bobst. [3] View the lectures upon which the book is based at the Federal Reserve's website. The website also contains transcripts of each of the 4 lectures that were given, along with pdf slides for each lecture. If you opt not to purchase the book, please review these items and take careful notes so that you will be able to participate in the class discussion. See <www.federalreserve.gov/newsevents/lectures/about.htm>

Supplemental readings
Some weeks we may use content from other readings posted on NYU Classes. See the course schedule for the relevant days. Additionally, some homework assignments may include readings or case studies for you to analyze.

Course requirements and grading
Class participation (10%)  Homework assignments (10%)
1 Midterm exam (30%)  1 Final exam (50%)

Notes about these assignments:
[1] There will be NO make-up exams. If you have a conflict with either of the scheduled exam dates please do not take the course at this time.

[2] Exams typically will be based on lectures, homework assignments, and readings covered during our class discussions. I will let you know in advance if there are additional readings that you need to be familiar with for the exams.

[3] There will be 5 homework assignments. On weeks that homeworks are due, they must be submitted by the beginning of class IN PRINT FORM. Late assignments will not be accepted. No e-mail submissions will be accepted. The homework assignments will be graded on a check +; check; check-minus system. You will receive a check if you make a good faith effort to solve all the problems and turn in the assignment on time. If you fail to turn in an assignment, or to turn it in on time, you will be assigned a "0" for the missing work and this ZERO will be averaged into your grade. At the end of the semester, your homework 'grade' will be "re-scaled" as follows: "√" = B; "√+" = A; "√-" = C. Your average homework grade will count for 10% of the total course grade. Each student will be allowed to drop 1 homework score; that is to say that your homework average will be based on the best 4 out of 5 scores.

[4] Simply showing up for class does not guarantee you a high grade for the class participation component of the course. Students are expected to attend every class meeting so simply being present in class will only earn

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2 Beginning means beginning: If I don't have it within the first 15 minutes of class, it won't be accepted.
3 If, for some spectacular reason, you cannot make it to class on a day that homework is due, you can leave your homework in my Wagner mailbox. It must be dropped off there before 5:30 pm however, so that I can confirm that it was done before class.
4 If you happen to fall sick on a day that the homework is due, you can use your 1 'drop' then. However, you may want to consider having a classmate turn your print copy of your homework in for you if you fall ill. If you start your homework in a timely fashion, you should be able to have a classmate submit a completed assignment for you if you fall ill at the last minute on a class day.
you a C for class participation. To get a higher class participation score, you will need to speak up during class (when called on to answer a question, for example), and to participate actively on class discussion days.5

Preparing for class
To prepare for class you should make sure to read the relevant textbook chapter(s) prior to coming to the class lecture and to review the day’s slides (in advance). Class lectures generally will be focused on (a) helping you to understand the technical details of the macro models that we are covering, (b) highlighting key take-away points from the textbook, and (c) policy applications of the material that we’re covering. Accordingly, you need to make sure you already understand the basic concepts in each chapter, such as terminology and definitions, before you get to class.

Powerpoint slides for each week’s lecture will be posted on NYU Classes on the Sunday before our class meeting.

Additionally, for the two weeks during which our entire class period will be devoted to discussion, you need to make sure (i) to read the relevant text before class and (ii) to come armed with a list of the main argument(s) that you think the text is trying to make and specific examples of ways that concepts and theory from our class are incorporated in the reading.

Overall workload for this course: This is a 3-credit course so, as per the guidelines of the State Dept of Education, you should expect to be doing an average of 6 hours of work outside class per week for this course.

Laptops policy
Please do not have your laptops open during class. Take your class notes by hand. That will cut down on the noise level in the class. Moreover, since the note-taking will require you to draw diagrams, it’s easiest to draw them by hand as you follow along in class.

Contacting Prof. Chiteji
If you need to speak with me about something, please come to office hours or grab me after class. With 30+ students I cannot guarantee that I will be able to respond to email in a timely fashion.

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

For this particular course, there are additional standards regarding behavior, as noted below. Violations of these standards will result in automatic failure of the course and will be reported to the discipline committee for further action.

Regarding homework assignments
While students are encouraged to work in groups on the homework, the final write-up of assignments must be done individually. Please do not submit a homework with responses that duplicate someone else’s verbatim. If you do, you will be penalized.

Exams
The exams must be the sole work of the individual student. Exams are closed-book.

As noted previously, all students must take our class’ tests on the assigned date and time. It’s impossible to protect the integrity of an exam experience if there are copies of the test floating around before other students have taken it. (So if you cannot make the scheduled exam dates, please do not take the course at this time.)

5 Note that while I will ask for volunteers to answer questions at times, I also will feel free to call on students at random. So please make sure you prepare properly for each class meeting.
### Abbreviated course schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>HW due?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/26</td>
<td>Introduction to the course, Measurement issues and the Data of Macroeconomics--GDP, the CPI and the unemployment rate [KW Chpts 6, 7 &amp; 8]</td>
<td></td>
</tr>
<tr>
<td>2/2</td>
<td>The income-expenditure model [KW Chpt. 11]</td>
<td></td>
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| 2/9   | In-class data exercises & discussion of the properties of business cycles*  
  ●Read "Business Cycle Properties" from The Global Economy by the Stern School's Department of Economics. (This is chpt 10 of the macro textbook that the Stern School's MBA program uses. It's on our course website.)  
  ●We will work in teams during class to download data that can help us understand how the US economy has performed in recent years, and each team will give a report on its findings. Laptops are welcome on this day. | HW#1 due |
| 2/16  | The AD/AS model [KW Chpt 12]                                                                                                                                                                       |        |
| 2/23  | Fiscal policy in the AD/AS model [KW Chpt 13, and Auerbach et al's "Activist Fiscal Policy" from the Journal of Economic Perspectives. The Auerbach article is posted on NYU Classes.] |        |
| 3/1   | Deficits and the National Debt discussion day*  
  ●Review the "Long run implications of fiscal policy" section of Chpt 13 (in the 3rd edition of KW, this is pages 394-398 ; in the 4th edition it's pp.402-406).  
  ●Read the Center on Budget and Policy Priorities' report titled Policy Basics: Introduction to the Federal Budget Process. This report is available at the CBPP's website: < www.cbpp.org > You can find it under the "research" tab, by clicking on "federal budget" and then the phrase "budget process." (You have to scroll down to the middle of the page.)  
  ●Read "The Federal Debt," Chapter 7 from A People's Guide to the Federal Budget. (Posted on NYU Classes.) | HW#2 due |
| 3/8   | Midterm                                                                                                                                                                                            |        |
| 3/15  | Spring break                                                                                                                                                                                        |        |
| 3/22  | Money, the banking system, the Fed and monetary policy in the AD/AS model [KW Chpts 14 & 15]                                                                                                        |        |
| 3/29  | Money, the banking system, the Fed and monetary policy in the AD/AS model continued...                                                                                                                                 |        |
| 4/5   | Crises and Consequences*  
  [Bernanke's The Federal Reserve and the Financial Crisis]                                                                                                                                         | HW#3 due |
| 4/12  | Economic growth [KW Chpt. 9; Excerpts from Chpts. 3 & 4 of the Stern School's text The Global Economy; and Excerpts from Colander and Gambar]                                                        |        |
| 4/19  | Interest rate determination in the long run and fiscal policy's long run considerations [KW Chpts 10 & crowding out reading from Prof. Chiteji]                                                              |        |
| 4/26  | Open-economy macro [Chpt. 19]                                                                                                                                                                     | HW#4 due |
| 5/3   | Globalization, international relations and international exchange at different moments in history-- Theory meets practice*  
  [Rodrik's The Globalization Paradox]                                                                                                                                                             | HW #5 due |
| 5/17  | FINAL EXAM****                                                                                                                                                                                     |        |

*These days will be conducted in a seminar format. Students are expected to come prepared to discuss the main ideas of the day's texts.****NOTE that the final exam date is set by the Registrar's Office. Tues., May 10th is a reading day, which means there are no final exams scheduled that day. That is why our final exam date is the 17th. This date corresponds to the last day of final exam week and also happens to be the day that Wagner scheduled its graduation ceremony. If you do not want to stay in town this late, or you do not want a test on the same day as graduation, please do not take the course this semester.
Course organization & Detailed Weekly Schedule

A. Measurement Issues & The Data of Macroeconomics
   ● GDP, the CPI, inflation and unemployment  [KW Chpts 6, 7 and 8]

B. The Economy in the Short-run: Two Macroeconomic Models (Closed-economy version)
   1. The income-expenditure model and the multiplier  [KW Chpt 11]
   2. Sources of macroeconomic data: Investigating the properties of business cycles  [Chpt. 10 of *The Global Economy*]
   3. The AD/AS model [Chpt 12]
   4. Fiscal policy in the AD/AS model [KW Chpt. 13, emphasize pp. 377-393 (3rd edition page numbers)]
      ●Supplemental reading: Auerbach's "Activist Fiscal Policy" from the *Journal of Economic Perspectives*

5. Deficits and debts
   **Readings:**
   KW part of Chpt. 13  (See text box above for page numbers.)
   Chpt. 1 of Gosling's *Budgetary Politics in American Governments*  (NEW--See text box above.)
   CBO infographic from www.cbo.gov  (See text box above for title.)
   CBPP report from www.cbpp.org  (See text box above for report title.)
   Chpt. 7 of *A People's Guide to the Federal Budget* (Posted on NYU Classes.)

6. Money, the banking system, the Fed and monetary policy in the AD/AS framework [KW Chpts 14 &15]

7. Crises and Consequences
   ●Read Ben Bernanke's *The Federal Reserve and the Financial Crisis*
   ●Optional, supplemental reading:  KW Chpt. 17

C. The Behavior of the Economy in the Long-run
   1. Economic growth  [KW Chpt. 9]
   2. Interest rate determination in the long run [KW Chpt. 10]
   3. Some long-run considerations related to fiscal policy--crowding out.

D. Open-economy Analysis
   1. The balance of payments, exchange rate determination, and global capital flows  [KW Chpt. 19]
      ●Supplemental reading: "International capital flows," Chpt 18 of *The Global Economy*.

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*While we will do our best to adhere to the schedule noted on this syllabus, it is subject to change at the discretion of the instructor.*