Macroeconomics, Global Markets, and Policy  
PAc-M-2138  
Spring 2017  

Time:  Wednesday 6:45pm-8:25pm  
Classroom:  GCASL Room 369  

Instructor:  Prof. Ngina Chiteji  
E-mail:  nc518@nyu.edu  
Office hours:  Wednesdays 5 -6:30 pm in Room 410, 1 Washington Place Bldg.  

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 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.  

Books and other readings  
Required books  
Wessel (2012).  Red Ink: Inside the High-Stakes Politics of the Federal Budget  
Krugman and Wells (2013).  Macroeconomics, Worth Publishers.  Referred to as "KW."  

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.
Recommended books

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
For some classes we may use content from supplemental 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 6 mandatory homework assignments and one optional homework. 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 5 out of 6 scores. (If you elect to do the optional assignment--HW#3--then you can drop your 2 lowest 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 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.

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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 GALLATIN mailbox--on the 4th floor at 1 Washington Place (the building on the corner of Washington Place and Broadway). 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 on a class day.
5 Note that while I typically will ask for volunteers to answer questions, I also will feel free to call on students at random. So please make sure you prepare properly for each class meeting.
Preparing for class
To prepare for class you should make sure to read the relevant textbook chapter(s) or assigned documents 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.

You also should be ready to speak up during class if called upon to answer questions about terminology or other non-technical matters addressed in the readings or the slides. (The professor will feel free to call upon students at random at times.)

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

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. Additionally, I will post a list of discussion questions for you to ponder as you read on NYU Classes. These questions will be posted one week prior to the class day that we plan to discuss the text.

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. It can take more than 24 hours for me to respond to an email, so if you have a pressing matter it is better to meet with me face-to-face to discuss it.

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 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.)
### Abbreviated course schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>HW due?</th>
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<tbody>
<tr>
<td>1/25</td>
<td>Do Worksheet covering measurement issues and the data of macroeconomics--GDP, the CPI and the unemployment rate (HW#1), based on concepts in KW Chpts 6, 7 &amp; 8</td>
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<td></td>
<td>No class meeting</td>
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<tr>
<td>2/1*</td>
<td>Discussion of <em>Red Ink</em></td>
<td>HW #1 due</td>
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<td></td>
<td>Introduction to the theory of how the economy behaves in the long-run: Overview of the natural rate of unemployment and the theory of economic growth</td>
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<td>2/8</td>
<td>Economic growth-- the level of productivity, the Solow model, endogenous growth theory, and policy implications</td>
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<td></td>
<td>Chapter 9 of Karlan and Murdoch's 2014 textbook titled <em>Macroeconomics</em></td>
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<td>Excerpts from Chpts. 3 &amp; 4 of the NYU Stern School text <em>The Global Economy</em></td>
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<td></td>
<td>Excerpts from Colander and Gamber (2002), <em>Macroeconomics</em></td>
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<td>2/15</td>
<td>Continuation of growth theory...</td>
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<tr>
<td>2/22</td>
<td>The income-expenditure model [KW Chpt. 11]</td>
<td>HW#2 due</td>
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<tr>
<td>3/1</td>
<td>Midterm</td>
<td>optional HW#3 due</td>
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<tr>
<td>3/8</td>
<td>The AD/AS model [KW Chpt 12]</td>
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<tr>
<td>3/15</td>
<td>Spring Break</td>
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<tr>
<td>3/22</td>
<td>Fiscal policy in the AD/AS model [KW Chpt 13]</td>
<td>HW#4 due</td>
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<tr>
<td>3/29*</td>
<td>A discussion of deficits and debt</td>
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<td></td>
<td>● The US Federal Budget in 2016 (or 2017 if Congress has one by this date)</td>
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<td>● Recent deficit data for the United States</td>
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<td>● The national debt</td>
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<td></td>
<td>● The Ryan or Trump budget plans or tax proposals (assuming there is something written down by this date)</td>
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<td></td>
<td>● The debt ceiling debate</td>
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<td>4/5</td>
<td>Money, the banking system, the Fed and monetary policy in the AD/AS model [KW Chpts 14 &amp; 15]</td>
<td>HW#5 due</td>
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<tr>
<td>4/12</td>
<td>Money, the banking system, the Fed and monetary policy continued</td>
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<tr>
<td>4/19*</td>
<td>Bernanke's <em>The Federal Reserve and the Financial Crisis</em></td>
<td>HW#6 due</td>
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<td>4/26</td>
<td>Open economy macroeconomics [KW Chpt 19]</td>
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<tr>
<td>5/3</td>
<td>Open economy macro cont...</td>
<td>HW#7 due</td>
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<tr>
<td>5/10</td>
<td>FINAL EXAM</td>
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*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.*
Course organization & Detailed Weekly Schedule

*NOTE: The chapter numbers reported below for KW are based on the 3rd addition. Adjust as needed if you have the 4th edition (or any other edition).

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

B. David Wessel’s book, Red Ink and associated discussion contemporary policy debates and the budgetary and other challenges facing the new Administration in the United States

C. The Behavior of the Economy in the Long-run
   1. Why some unemployment is inevitable: The natural rate of unemployment [KW Chpt. 8]
   2. Economic growth and related topics (Karlan and Murdoch, Chpt. 9; Chapters 3 & 4 of NYU Stern’s The Global Economy; Excerpts from Colander and Gamber (2002))

D. The Economy in the Short-run: Two Macroeconomic Models (Closed-economy version)
   1. The income-expenditure model and the multiplier [KW Chpt 11]
   2. The AD/AS model [Chpt 12]
   3. Fiscal policy in the AD/AS model [KW Chpt. 13, emphasize pp. 377-393 (3rd edition page numbers)]
   4. Deficits, debts, and the debt ceiling debate
      Readings:
      As noted in above textbox
   5. Money, the banking system, the Fed and monetary policy in the AD/AS framework [KW Chpts 14 &15]
   6. Crises and Consequences
      ● Read Ben Bernanke’s The Federal Reserve and the Financial Crisis
      ● Optional, supplemental reading: KW Chpt. 17

E. 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.