Macroeconomics, Global Markets, and Policy
PADM-GP2138
Spring 2018

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

Instructor: Prof. Ngina Chiteji
E-mail: nc518@nyu.edu
Office hours: Wednesdays 4-6 pm in Room 410, 1 Washington Place Bldg.

Course description
This course teaches principles of macroeconomics in both the closed and open-economy context, 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 the 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
Krugman and Wells (2013). Macroconomics, Worth Publishers. Referred to as "KW."

Supplemental readings
For some weeks, there also may be supplemental readings. These will be posted on NYU Classes. Additionally, some homework assignments may include readings or case studies for you to analyze.

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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.
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 five homework assignments to be turned in. 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 the lowest homework score.

[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.

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 for the day, 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.

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.

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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.
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

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<thead>
<tr>
<th>Date</th>
<th>Topic(s)</th>
<th>HW due?</th>
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| 1/24 | ● Quick review of basic measurement issues and the data of macroeconomics--GDP, the CPI and the unemployment rate, based on concepts in KW Chpts 6, 7 & 8  
   ● 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 |         |

### LONG-RUN THEORY

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<th>Topic(s)</th>
<th>HW due?</th>
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| 1/31 | Economic growth-- the level of productivity, the Solow model, and endogenous growth theory  
      Chapter 9 of Karlan and Murdoch’s 2014 textbook titled *Macroeconomics*  
      Excerpts from Chpts. 3 & 4 of the NYU Stern School text *The Global Economy*  
      Policy case studies: The experience of various ‘developing’ nations |         |

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<th>HW due?</th>
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| 2/7  | Continuation of growth theory...  
      Policy discussion point: (1) The recent US tax cut, (2) Productivity & pay (time permitting) |         |

### THE BEHAVIOR OF THE ECONOMY IN THE SHORT-RUN

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<tr>
<th>Date</th>
<th>Topic(s)</th>
<th>HW due?</th>
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<tbody>
<tr>
<td>2/14</td>
<td>The Aggregate Demand-Aggregate Supply (AD/AS) Model [Mankiw Chpt. 20 &amp; KW Chpt 12]</td>
<td>HW-1 due</td>
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<tr>
<td>2/21</td>
<td>The AD/AS model continued......</td>
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<td>2/28</td>
<td>Fiscal policy in the AD/AS model [KW Chpt 13]</td>
<td>HW-2 due</td>
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<tr>
<td>3/7</td>
<td>Midterm</td>
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<tr>
<td>3/14</td>
<td>Spring Break</td>
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<tr>
<td>3/21</td>
<td>Money, the banking system, the Fed and monetary policy in the AD/AS model [KW Chpts 14 &amp; 15]</td>
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<tr>
<td>3/28</td>
<td>Money, the banking system, the Fed and monetary policy in the AD/AS model [KW Chpts 14 &amp; 15]</td>
<td>HW-3 due</td>
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<tr>
<td>4/4</td>
<td>No class</td>
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### THE OPEN ECONOMY

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<tr>
<th>Date</th>
<th>Topic(s)</th>
<th>HW due?</th>
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<tr>
<td>4/11</td>
<td>Open economy macroeconomics [KW Chpt 19]</td>
<td>HW-4 due</td>
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<tr>
<td>4/18</td>
<td>Open economy macro cont....</td>
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### POLICY IN PRACTICE:

When politics and economics intersect: Practical dimensions of macroeconomic policymaking & Some current policy debates

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| 4/25 & 5/2 | Topics may include*  
   ● Why does the US still not have a budget? How the US federal budget is put together.  
   ● The relationship between budgetary policy and national values and morality  
   ● The ethics of taxation  
   ● The need for unconventional monetary policy during the Great Recession  
   ● Estimating the effects of a change in fiscal or monetary policy---calculating the multiplier in practice  
   ● What do developed countries owe developing countries (if anything)?  
   *These class meetings will be seminar-style. That is to say, the discussion will be student-led (not lecture-based) | HW-5 due |
| 5/9  | FINAL EXAM |         |
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. 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
      Primary readings
      Karlan and Murdoch, Chpt. 9;
      Chapters 3 & 4 of NYU Stern's *The Global Economy*;
      Supplemental reading
      Excerpts from Colander and Gamber (2002)

C. The Economy in the Short-run: Two Macroeconomic Models (Closed-economy version)
   1. The AD/AS model
      Primary readings:
      Chpt. 20 of Greg Mankiw's *Principles of Macroeconomics* &
      KW, Chpt 12
   2. Fiscal policy in the AD/AS model
      Primary reading: KW Chpt. 13, emphasize pp. 377-393 (3rd edition page numbers)
   3. Calculating the Keynesian multiplier (or "the multiplier")
      Excerpts from KW Chpt. 11 will be relied upon here
   4. Money, the banking system, the Fed and monetary policy in the AD/AS framework
      Primary reading: KW Chpts 14 &15

D. The Open-economy Analysis
   1. The balance of payments, exchange rate determination, and global capital flows
      Primary reading
      KW, Chpt. 19
      Supplemental reading

E. Policy in Practice: Some real world controversies, debates, and complexities related to macroeconomic policymaking
   Readings may include (We will probably decide--as a class--what issues to focus on here)

5 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.


The Bipartisan Policy Center’s December 2016 report titled *Fixing Fiscal Myopia*. Available at <http:\bipartisanshipolicy.org> 


Excerpts from former Fed Chair Ben Bernanke’s *The Federal Reserve and the Financial Crisis*. (Note: An e-copy of the text is available at the Federal Reserve’s website. See the series of lectures given at GWU by Ben Bernanke that are posted on the Federal Reserve’s website at <www.federalreserve.gov> in the ’About the Fed’ and then ’Educational tools’ portion of the Fed’s website.)

Thomas, Lloyd (2011). ”The Great Crisis and Great Recession of 2007-2009” (Chpt. 6) and ”The Federal Reserve’s Response to the Great Crisis” (Chpt. 11) from *The Financial Crisis and Federal Reserve Policy*

Federal Reserve Bank of NY President William Dudley’s speech before the Economic Club of New York City on Nov. 6, 2017 (Remarks titled ”Lessons from the Financial Crisis.” Available at <www.newyorkfed.org>

Dani Rodrik (2012). *The Globalization Paradox: Democracy and the Future of the World Economy*. Chpt. 5 ”Financial globalization follies” (international financial flows / open-economy related) Chpt. 7 ”Poor countries in a rich world” (a growth theory -related reading) Chpt. 8 ”Trade fundamentalism in the tropics” (trade policy-related)

Federal Reserve Bank of St. Louis (2016). *Choices for China; Consequences for Us.*