#### Wagner logo

# PADM-GP 2138.001

# Macroeconomics, Global Markets, and Policy

# Spring 2021

## Instructor Information

* Prof. Ngina Chiteji
* Email: nc518@nyu.edu
* Office Address: 1 Washington Place, Room 410
* Office Hours: Tuesdays 3:30 – 5:30 pm & after class on Wednesday\*

\*All office hours will be conducted via ZOOM.

## Course Information

* Class Meeting Times: Wednesday, 6:45pm - 8:25 pm
* Class Location: All class sessions will be conducted via ZOOM. Please see NYU Classes for the Zoom link and other relevant materials.

## Logging into our Zoom sessions

## ● Please remember to log-in to Zoom for class using your NYU email account.

## Course 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.

## 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.

## Course and Learning Objectives

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. How government policymakers can best promote long-run economic growth;
3. The role of central banks and the challenges they face designing and implementing monetary policy;
4. The impact of fiscal policy choices, such as their effects on national output, government budget deficits, and the accumulation of public debt;
5. Global currency markets, international flows of financial capital, and the exchange rate policies that some countries opt to use to promote their national objectives;
6. How technology is causing both (a) the structure of the labor market and (b) the nature of the nation’s payments mechanism to change, and what these changes portend for the automatic stabilizers that are part of macroeconomic stabilization policy and for monetary policy.

### Learning Assessment Table

| **Graded Assignment** | **Course Objective Covered** |
| --- | --- |
| Participation | All |
| Posting to online forum | #6 and Movie day |
| Problem set homework 1 | #1, #2 |
| Problem set homework 2 | #1, #3, #4 |
| Problem set homework 3 | #1, #3, #4 |
| Problem set homework 4 | #1, #3, #4, #5 |
| 1st Midterm | #1, #2, #4 |
| 2nd Midterm | #1, #3, #5 |
| Final exam | #6 |

## Books and other readings

**Required book:** Karlan and Morduch (2014). Macroeconomics\*, McGraw Hill Publishers

\*Any edition of this text should be fine. The course outline (below) refers to pages from the 1st edition.

### Supplemental readings

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

## Course requirements and grading

* Participation in class discussion and in-class data exercises (10%)
* Problem set homework assignments (10%)
* Postings of discussion questions to an online forum for the film day and postings of preliminary answers to questions for the two special topics sessions (10%)\*\*

*\*\* You will be expected to post in advance (prior to coming to class—by NOON of the relevant class day).*

* Two tests (35% each)\*\*\*

\*\*\**Three tests will be administered during the semester, but only the scores for two will be part of a student’s course grade. (You can drop your lowest score.)*

### Notes about these assignments:

1. There will be NO make-up exams. As noted above, three tests will be administered but you can drop your lowest score so if you have to miss a test, it can be your drop.
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 four problem set homework assignments to be turned in.
   1. On weeks that homeworks are due, they must be submitted **by the beginning of class**.
   2. The problem set 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. Because students are expected to attend every class meeting, 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 in class discussions and in any group exercises done during class.

## Course policies

**Attendance**

Attendance is mandatory. There is also an expectation that you will be an engaged citizen during our class meetings. Please be prepared to have your camera turned on while participating in our class’ Zoom sessions.

### Preparing for class

►To prepare for class you should make sure to (a) review the day’s lecture slides in advance, and (b) read the relevant textbook chapter(s) or assigned documents prior to coming to class. Class lectures generally will be focused on (a) helping you to understand the technical details of the macroeconomic models that we are covering, (b) highlighting key take-away points, (c) policy applications, and (d) data exercises. Accordingly, you need to make sure you already are familiar with the basic concepts and issues that we plan to cover each week before you get to class.

►You also should be ready to speak up during class if called upon to answer questions about 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 (at the latest). Review these lecture slides BEFORE coming to class.

►Any readings listed as supplemental/optional are simply texts that I am likely to mention during class. You are **not** required to read them.

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

### Laptop policy & Cell phones

This course will work best for you if you plan to access our Zoom meetings using a laptop or a desktop computer. Students are discouraged from planning to participate solely by cell phone for the semester.

### Contacting Prof. Chiteji

If you need to speak with me about something, please attend my office hours or speak with me after class. It can take more than 24 hours for me to respond to an email (and 48 hours over the weekend), so if you have a pressing matter it is better to meet during a regularly-scheduled time to discuss it.

The last 25 – 30 minutes of each class period will be set aside for students to speak with me.

## Academic Integrity

Academic integrity is a vital component of Wagner and NYU. All students enrolled in this class are required to read and abide by [Wagner’s Academic Code](https://wagner.nyu.edu/portal/students/policies/code). All Wagner students have already read and signed the [Wagner Academic Oath](https://wagner.nyu.edu/portal/students/policies/academic-oath). Plagiarism of any form will not be tolerated and students in this class are expected to report violations to me. If any student in this class is unsure about what is expected of you and how to abide by the academic code, you should consult with me.

### 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. The 1st Midterm will be given on Wednesday, March 17. Midterm #2 will be given on Wednesday, April 21. The final exam is scheduled for Wednesday, May 12.

As noted previously, all students must take our class' tests on the assigned date and time. This protects the integrity of an exam experience. Accordingly, if you know that you cannot make the scheduled test dates, please do not take the course at this time.

Lastly, note that while 3 tests will be administered (two midterms and a final), only the highest two test scores will be factored into a student’s course grade.

## Henry and Lucy Moses Center for Student Accessibility

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Student Accessibility website](https://www.nyu.edu/students/communities-and-groups/students-with-disabilities.html) and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or [mosescsd@nyu.edu](mailto:mosescsd@nyu.edu)) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

## NYU’s Calendar Policy on Religious Holidays

[NYU’s Calendar Policy on Religious Holidays](https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-calendar-policy-on-religious-holidays.html) states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify me in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives.

## Letter Grades

Letter grades for the entire course will be assigned as follows:

| **Letter Grade** | **Points** |
| --- | --- |
| **A** | 4.0 points |
| **A-** | 3.7 points |
| **B+** | 3.3 points |
| **B** | 3.0 points |
| **B-** | 2.7 points |
| **C+** | 2.3 points |
| **C** | 2.0 points |
| **C-** | 1.7 points |
| **F** | 0.0 points |

### Student 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 objectivesbut 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.

## Overview of the Semester

● Week 1 Class meeting date is Wednesday, February 3

● Week 2 Class meeting date is Wednesday, February 10

● Week 3 Class meeting date is Wednesday, February 17

● Week 4 Class meeting date is Wednesday, February 24

● Week 5 Class meeting date is Wednesday, March 3

●Week 6 Class meeting date is Wednesday, March 10

● Week 7 Class meeting data is Wednesday, March 17

● Week 8 Class meeting date is Wednesday, March 24

● Week 9 Class meeting date is Wednesday, March 31

● Week 10 Class meeting date is Wednesday, April 7

● Week 11 Class meeting date is Wednesday, April 14

● Week 12 Class meeting date is Wednesday, April 21

● Week 13 Class meeting date is Wednesday, April 28.

● Week 14 Class meeting date is Wednesday, May 5

● Final exam date is Wednesday, May 12

**For the overview of our weekly meetings and a detailed schedule please see the next few pages**.

## OVERVIEW & WEEKLY OUTLINE

### Note: In this weekly outline, chapter references and page numbers for Karlan and Morduch are for the 1st edition unless otherwise noted.

### Week 1

Topics: Introduction to macroeconomics: What macroeconomics is, how it differs from microeconomic in terms of its subject matter, why macro is relevant for students who are interested in policy and public service, the data of macroeconomics, and policy implications.

***BEFORE CLASS***

***a) Review the lecture slides posted on NYU Classes***

***b) Reading assignment***:

* Karlan and Morduch, Chapter 7 (the GDP chapter), Chapter 8 (the CPI chapter), and pp. 235- 242 of Chapter 10 (the unemployment chapter).

***IN-CLASS DATA EXERCISES***

a) Small group exercises using the formulas for GDP and the CPI

b) Working with the data that US policymakers use measure output, the price level, and the unemployment rate: graphs and data analysis.

**Week 2**

Topic: Continuation of our exploration of the data of macroeconomics

***BEFORE CLASS***

***Reading assignment:***

Kleisen (1997). “Critiquing the Consumer Price Index,” *Regional Economist*, July 1997*,* p10-11. (Focus mainly on the first page)

Cashell (2010). *A Separate CPI for the Elderly?* Congressional Research Service (CRS) Report 7-5700, January 20, 2010.

\*NOTE: There are NO SLIDES to review in advance this week.

***IN-CLASS DATA AND POLICY EXERCISES***

Small group numerical exercises and policy discussion

### Week 3

Topic: Long-run growth theory and policy applications

***BEFORE CLASS***

***a) Review the lecture slides posted on NYU Classes***

***b) Reading assignment:***

* Karlan and Morduch, Chapter 9 (Long run growth chpt). (If you have the 2nd edition, see Chapter 10 instead.)
* Excerpt from Mankiw (2009), pp. 250-254, with particular emphasis on the third equation on page 253.
* Excerpts from Colander and Gamber (2002)

***IN-CLASS DATA AND POLICY EXERCISES***

Small group policy exercises and analysis of empirical evidence from Ndulu & O’Connell’s The Political Economy of Economic Growth in Africa*.*

***AFTER CLASS*:** Problem Set homework #1 will be handed out this week and will be due on Wednesday, February 24.

### Week 4

Topic: The Behavior of the economy in the short-run

***BEFORE CLASS***

***a) Review the lecture slides posted on NYU Classes***

***b) Reading assignment***:

* Karlan and Morduch, Chapter 11 (the Aggregate Demand and Aggregate Supply chapter). (If you have the 2nd edition of the textbook, see Chapter 12 instead.)
* OPTIONAL reading: Mankiw Chapter 15. (If you read this, pay particular attention to the way that Mankiw describes sticky wage theory on p. 337, and on the economy recovering from a recession on its own on p. 342. Mankiw's discussion here is a bit better than Karlan and Morduch's, so I'll be relying upon Mankiw for that part of our lecture slides.)

***IN-CLASS DATA AND POLICY EXERCISES***

The NBER website and the NBER’s Business Cycle Dating Committee

Small group exercises examining: (a) Demand shock data, (b) Supply shock data, (c) the Keynesian multiplier, and (d) the unemployment rate during the 2007 recession.

### WEEK 5

Topic: Continuation of the theory of how the economy behaves in the short-run, with an emphasis on fiscal policy.

***BEFORE CLASS***

***Reading assignment***:

● Brinca, Duarte & Faria-e-Castro (2020). “Is the COVID-19 Pandemic a Supply or a Demand Shock.” In the Federal Reserve Bank of St. Louis’ Economic Synopsis, Number 31.

● Gregory Mankiw, “The COVID-19 Recession of 2020,” August 2020 supplement to his forthcoming edition of Macroeconomics.

● Chapter 12 of Karlan and Morduch (The “Fiscal policy” chapter).

\*There are NO SLIDES to review in advance this week.

***IN-CLASS DATA EXERCISES:*** TBA during class

***AFTER CLASS***: Problem Set homework #2 will be handed out this week and will be due on Wednesday, March 10

### WEEK 6

Topic: Monetary policy – What economic theory reveals about how monetary policy affects the economy, along with some conceptual issues

***BEFORE CLASS***

***a) Review lecture slides posted on NYU Classes***

***b) Reading assignment***:

* Karlan and Morduch Chapter 14. If you are using the 2nd edition of the textbook, see Chapter 15

***IN-CLASS DATA AND POLICY EXERCISES:*** TBA

### WEEK 7

MIDTERM #1

### WEEK 8

Topic: Movie week & a general discussion of the financial system, the banking system and central banking

***BEFORE CLASS***

***Assignments:***

***(a) Watch the film The Big Short***

This movie is available electronically from Bobst Library. Please look it up in Bobcat just as you would do for a book and then follow the library’s instructions regarding accessing the film.

***(b) Mandatory discussion Q assignment***: Please do one of the following: (a) post a discussion question related to the film and its portrayal of economic issues to the class discussion forum before 12pm on the day our class meets, or (b) list an issue that the film raises about the 2007 financial crisis that you found interesting and think we should discuss during class. List your issue on the class discussion forum by NOON the day our class meets. (Alternatively, you may e-mail your discussion question or issue to Prof. Chiteji at [nc518@nyu.edu](mailto:nc518@nyu.edu) . Email it before NOON if you choose this option.)

### WEEK 9

Topics: Continuation of the monetary policy discussion with an emphasis on the tools of monetary policy and how a central bank can respond to a recession.

***BEFORE CLASS:***

***Review the lecture slides posted on NYU Classes***

***Reading assignment***:

* You may want to re-review your notes from Karlan and Morduch Chapter 14 (The “Money and the monetary system” chapter).

***IN-CLASS DATA AND POLICY EXERCISES***:

How to obtain information about FOMC meetings; getting data from the FRED website; graphing the US money supply during the Great Recession, European Central Bank (ECB) balance sheet data during the Great Recession.

**Week 10**

Topic: Continuation of the monetary policy discussion: Historical examples and some practical details and challenges associated with monetary policy

***BEFORE CLASS:***

***Reading assignment:***

* Excerpts from former Fed Chair Ben Bernanke's The Federal Reserve and the Financial Crisis
* Please look over the Discussion Questions posted online for the Bernanke reading before you come to class
* There are no lecture slides to view in advance for Week-10.

***IN-CLASS EXERCISES:***

We will spend the bulk of our class time engaged in a discussion of the Bernanke book so we may not have time for data exercises.

***AFTER CLASS***: Problem Set homework #3 will be handed out and will be due on Wednesday, April 14.

### WEEK 11

Topic: Open-economy Macroeconomics and International Policy Issues

***BEFORE CLASS***

***Review the lecture slides posted on NYU Classes***

***Reading assignment***:

* KRUGMAN AND WELLS, Chapter 19 (Available on NYU Classes)
* An optional /supplemental reading: Morrison (2013). China's Currency Policy. DC: CRS Report, July 22, 2013

***IN-CLASS DATA AND POLICY EXERCISES:***

Small group discussion of policy case studies and statistics.

***AFTER CLASS:*** Problem Set #4 will be handed out.

**WEEK 12**

MIDTERM #2

### WEEK 13

Topic: Special Topics Part-1: The sharing/gig economy, how its transforming the labor market, and challenges for policymakers

***BEFORE CLASS***

***Reading assignment***:

* Schor, Juliet and William Atwood-Charles (2017). “The ‘Sharing’ economy: Labor, inequality, and social connection on for-profit platforms,” Sociology Compass, Volume 11.
* Annie Lowrey (2017). “What the gig economy looks like around the world,” *The Atlantic*, April 13, 2017.

***Please also review the Discussion Questions that Prof Chiteji has posted on NYU Classes prior to coming to class*** **AND send Prof. Chiteji** a short (1 or 2 paragraph) answer to one discussion question BEFORE 12pm on the day our class meets. Email your short answer to nc518@nyu.edu

There are no slides to review before class for this week.

### WEEK 14

Topic: Special Topics Part-2: Digital currency and other ways that technology is transforming the payments mechanism and what this means for policymakers

***BEFORE CLASS***

***Reading assignment:***

* Federal Reserve Board Governor Lael Brainard’s February 5, 2020 speech “The digitalization of payments and currencies: Some issues for consideration.” (See the Federal Reserve’s website [www.frb.gov](http://www.frb.gov) or get it from NYU Classes.)
* Federal Reserve Bank of Philadelphia President Loretta Mester’s speech titled “Payments and the Pandemic,” September 23, 2020. (See the Federal Reserve’s website [www.frb.gov](http://www.frb.gov) or get it from NYU Classes)
* “The Radical dream of digital Cash,” Chapter 15 from Jacob Goldstein (2020). Money: The True Story of a Made-up Thing, NY: Hatchette Books.

***Please also review the Discussion Questions that Prof Chiteji has posted on NYU Classes prior to coming to class* AND send Prof. Chiteji** a short (1 or 2 paragraph) answer to one discussion question BEFORE 12pm on the day our class meets. Email your short answer to nc518@nyu.edu

There are no slides to review before class for this week.

### WEEK 15

Final exam week: The Final exam is on Wednesday, May 12.

\*It is likely that the final exam will be a take-home test that takes the form of some open-ended, short essay questions.

**Appendix:** **Teaching philosophy and Expectations regarding classroom behavior**

A classroom is a communal learning environment. It therefore is important to avoid behavior that is disruptive, such as arriving late and eating loudly during class.

Also note that, in small classes, students learn the most when everyone is engaged. This allows the class to benefit from the synergies that prevail when class discussion involves each of us offering comments that build on the ideas of others. Accordingly, I will be expecting you to be attentive during class, and to be willing to offer your thoughts about our course's subject matter when called upon to do such. Don't be a free-rider who expects to just sit quietly all semester without contributing to class discussions or the in-class group exercises in any way.

I also will be expecting you to be open and honest if you do not understand the content covered during class, as it is difficult for an instructor to know what students find confusing if no one speaks up. Please raise questions about the diagrams and the overall meaning of the models that you will be learning if you do not understand something said on the slides or during class.

Lastly, please remember that it is important to treat any classmate who has a different opinion or different policy preference from yours with respect. In a class such as ours that deals with policy choices and politics, we may not always agree exactly on what action a nation's policymakers should take. In situations in which there are trade-offs, we all need to be able to recognize them and to allow for the possibility that someone else may weigh the tradeoffs differently from us.