PADM-GP 2138.001

Macroeconomics, Global Markets, and Policy

Spring 2022

Instructor Information

- Prof. Ngina Chiteji
- Email: nc518@nyu.edu
- Office Address: 1 Washington Place, Room 410
- Office Hours: Tuesdays 5pm – 6:30 pm, or by appointment *All office hours will be conducted via ZOOM.

Course Information

- Class Meeting Times: Wednesday, 6:45pm - 8:25 pm
- Class Location: Bobst Library, Room LL143

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
Problem set homework 1	#1, #2
Problem set homework 2	#1, #4
Problem set homework 3	#1, #3, #4
Problem set homework 4	#1, #3, #4, #5
Midterm	#1, #2, #4
Final exam	All

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 (10%)
- Problem set homework assignments (10%)
- 1 midterm (35%)
- Final Exam (45%)

Notes about these assignments:
1. All students are expected to take the course's tests in class on the assigned date and 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 four problem set homework assignments to be turned in.

a. On weeks that homeworks are due, they must be submitted in print form **at the beginning of class**.
b. The problem set homework assignments will be graded on a check +; check; checkminus 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 "rescaled" 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.

Course policies

Attendance
Attendance is mandatory.

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 the course website on Brightspace 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.

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. If you decide to email me, please include the term "PADM-GP2138" in the subject line of your email.

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. All Wagner students have already read and signed the Wagner 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 Midterm will be given on Wednesday, March 9th. The final exam is scheduled for Wednesday, May 11.

As noted previously, all students are expected to 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.[1]

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 and click on the Reasonable Accommodations and How to Register tab or call or email CSD at (212-998-4980 or 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 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

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[1] If you believe you have extenuating circumstances that require an exception to this rule, please speak with me during the first week of the semester.

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 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.

Overview of the Semester

- Week 1 Class meeting date is Wednesday, January 26
- Week 2 Class meeting date is Wednesday, February 2

- Week 3 Class meeting date is Wednesday, February 9
- Week 4 Class meeting date is Wednesday, February 16
- Week 5 Class meeting date is Wednesday, February 23
- Week 6 Class meeting date is Wednesday, March 2
- Week 7 Class meeting data is Wednesday, March 9
- Week 8 SPRING BREAK
- Week 9 Class meeting date is Wednesday, March 23
- Week 10 Class meeting date is Wednesday, March 30
- Week 11 Class meeting date is Wednesday, April 6
- Week 12 Class meeting date is Wednesday, April 13
- Week 13 Class meeting date is Wednesday, April 20
- Week 14 Class meeting date is Wednesday, April 27
- Week 15 Class meeting date is Wednesday, May 4
- Final exam date is Wednesday, May 11

NOTE: All class meetings are expected to be IN-PERSON. Should NYU decide to shift to remote instruction at any point during the semester, or if our class needs to switch to Zoom for any other reason, the instructor will post a Zoom link on Brightspace at that time.

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: Total output, unemployment, and the price level – Measuring the 3 key variables of macroeconomics

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 ACTIVITIES
a) The data of macro: Numerical exercises using formulas for GDP, the CPI and the unemployment rate
b) Getting real world data from the US Bureau of Labor Statistics (BLS) website and from the Bureau of Economic Analysis (BEA)

c)   Small group discussion of policy controversies: Debates about the accuracy of the GDP data, the CPI data and the unemployment rate data & the policy implications of these debates.

OPTIONAL <u>AFTER-CLASS</u> reading
(Recommended future reading for students with great interest in this topic)
Kleisen (1997). "Critiquing the Consumer Price Index," *Regional Economist*, July 1997, p. 10-11.
Cashell (2010). *A Separate CPI for the Elderly?* Congressional Research Service (CRS) Report 7-5700, January 20, 2010.
Congressional Budget Office (nd) "How Changing Social Security Could Affect Beneficiaries and the System's Finances". – Summary available at https://www.cbo.gov/publication/54868

WEEK 2

Topic: The Macroeconomic theory explaining the behavior of the economy in the long run: long-run growth theory, its emphasis, and its policy implications

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). *Principles of Macroeconomics*, pp. 250-254, with particular emphasis on the third equation on page 253.
   • Excerpts from Colander and Gamber (2002). *Macroeconomics.*
IN-CLASS DATA ACTIVITIES
a) Small group policy exercises   b) Analysis of empirical evidence

WEEK 3

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 ACTIVITIES
a) Numerical exercise related to sticky wages
b) Small group discussion of 4 case studies: (i) The Great Depression, (ii) The Great Recession of 2007, (iii) the OPEC oil shocks of the 1970s, and (iv) COVID-19.
c) Business cycle dating in the US: Discussion of the NBER (time permitting)

AFTER CLASS: Problem Set homework #1 ("HW#1") will be handed out this week and will be due on Wednesday, February 16th.

WEEK 4

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

HW#1 is DUE this day.

BEFORE CLASS
Reading assignment:
- Chapter 12 of Karlan and Morduch (The "Fiscal policy" chapter).

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

IN-CLASS ACTIVITIES
a) Mini-fiscal policy lecture by Prof. Chiteji
b) Small group discussion of policy case studies: (i) Japan's output gap in the 1990s, (ii) the US output gap during the 2020 pandemic & the CARES Act, (iii) The International Monetary Fund's database of fiscal policy responses around the world https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-
Database-in-Response-to-COVID-19
c) A Macro modelling numerical exercise

WEEK 5

Topic: The US budget process & the politics of putting together a budget

BEFORE CLASS
Reading assignment: There is no assigned reading for the day. Prof. Chiteji will give a lecture based on her experience working at the US Congressional Budget Office (CBO), while also drawing from some written sources.

IN-CLASS ACTIVITIES: Lecture with student Q&A period afterwards.

▶The issues Prof. Chiteji will touch on in her lecture include: (i) How the US government actually puts together its budget, (ii) the different political values of the two major parties and the role of politics in the US budget process, (iii) continuing resolutions or "CR" legislation, (iv) the pros and cons of government borrowing, (v) the statutory limit on borrowing, aka the "debt ceiling," and (vi) who holds the US government's debt—ie., whom the US is borrowing from.

Problem Set HW#2 will be distributed at the end of class.

WEEK 6

Topic: Monetary policy—a basic introduction to what economic theory reveals about how monetary policy affects the economy in the short run

HW#2 is due.

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 ACTIVITIES:
a) Numerical exercise illustrating how a fractional reserve banking system works and how it can "create" money
b) Small group discussion of 3 case studies of monetary policy responses to previous recessions:

  i.   China and the global financial crisis,
  ii.   the Bank of Japan, and
  iii. the European Central Bank ("ECB")
c) Numerical exercise illustrating open market operations (OMO) and the idea of a money multiplier

WEEK 7
MIDTERM #1

WEEK 8   Spring Break

WEEK 9
Topics: Continuation of the monetary policy discussion, with an emphasis on some of the practical details associated with the implementation of monetary policy

BEFORE CLASS:
Review the lecture slides posted on NYU Classes Reading
assignment:
  •   There is no assigned reading for this day.

IN-CLASS ACTIVITIES: Lecture by Prof. Chiteji followed by Q&A period.
  ▶The lecture notes will be posted on the course website on the day of class so that you can follow along easily.

Week 10
Topic: Continuation of the monetary policy discussion

BEFORE CLASS:
OPTIONAL Reading assignment:
  •   Excerpts from former Fed Chair Ben Bernanke's *The Federal Reserve and the Financial Crisis*
  •   Excerpts from Bernanke, Geithner & Paulson's *Firefighting: The Financial Crisis and Its Lessons*
  •   There are no lecture slides to view in advance for Week-10.

IN-CLASS ACTIVITIES: Prof. Chiteji lectures, followed by student Q&A period.
  ▶The lecture notes will be posted on the course website on the day of class so that you can follow along easily.

AFTER CLASS: Problem Set homework #3 will be handed out and will be due on Wednesday, April 6.

WEEK 11

Topic: Open-economy Macroeconomics and International Policy Issues

HW#3 is due

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 ACTIVITIES:
a) Mini-lecture by Prof. Chiteji regarding some real-world aspects of the foreign exchange market
b) Class discussion identifying some pros and cons of different exchange rate policies.
c) Individualized exercises about getting and graphing trade data:
- from the World Bank's "WITS" trade dataset and
- US trade deficit data from the BEA

WEEK 12

Topic: Special Topics Part-1: The sharing/gig economy, how it's transforming the labor market, and challenges it presents for automatic stabilizers during recessions and other policy challenges

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 Brightspace prior to coming to class AND send Prof. Chiteji** a short, one-to-two paragraph essay responding to **one** discussion question BEFORE 12pm on the day our class meets. Email your response to nc518@nyu.edu*

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

AFTER CLASS: Problem Set HW#4 will be handed out. It is due on Weds., April 20th

WEEK 13

Topic: Special Topics Part-2: Digital currency and other ways that technology is transforming the payments mechanism and the challenges this presents for central bankers

HW#4 due

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."[2] [Approximately 14 pages long]

- Federal Reserve Bank of Cleveland President Loretta Mester's speech titled "Payments and the Pandemic," September 23, 2020.[3] [Approximately 13 pages long]

- US Congressional Research Service ("CRS") report titled *Cryptocurrency: The Economics of Money and Selected Policy Issues.* April 9, 2020. [Approximately 27 pages long]

Please also review the Discussion Questions that Prof Chiteji has posted on Brightspace prior to coming to class **AND send Prof. Chiteji** a short, one-to-two paragraph essay responding to <u>one</u> discussion question BEFORE 12pm on the day our class meets. Email your response to nc518@nyu.edu

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

WEEK 14:

Topic: Special Topic #3: TBA

WEEK 15

Topic: Catch-up and review day

WEEK 16
Final exam week: The Final exam is on Wednesday, May 11.

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[2] See the Federal Reserve's website www.frb.gov or get it from the course website on Brightspace.
[3] See the Federal Reserve's website www.frb.gov or get it from the course website on Brightspace.

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 or leaving early.

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.