Introduction to Macroeconomics

BPEP-UB-0002

Spring 2015

Paul Wachtel

Course Meetings
Monday and Wednesday, 3:30-4:45
Location: Tisch 200

Course Description and Learning Goals

The objective of this course is to provide Stern BS in Business and Political Economy students with a thorough and rigorous introduction to the basic ideas of macroeconomics and their relationship to policy making and the political environment both in the U.S. and around the world.

The course will address six major themes that form the foundation of macroeconomics:

- **Measurement of macro concepts**: income accounts, inflation, international flows, unemployment, etc.
- **Determinants of long run economic equilibrium and growth**. Why are some countries richer than others? Why do some countries grow more rapidly and is global convergence occurring?
- **Money and the financial system**. What is money and what is the role of banks and the financial system? How is money created? What does a central bank do? And, how does money effect the inflation rate?
- **Macroeconomic relations among countries**. How are the macro economies of different countries linked together? What are global imbalances? *BPE students examine open economy macro more intensely when they take International Economics in London.*
- **Short run economic fluctuations**. How do we understand short run fluctuations in economic activity (business cycles)? What are the effects of monetary and fiscal policy in the short run?
• Challenges of the modern macro economy. When are government deficits desirable and how much government debt is too much? Is monetary union a good idea? What is the link between financial stability and the economy?

Course Co- or Pre-requisite: ECON-UB 1 Microeconomics.

Course Materials

Text

The publisher offers various ways to obtain the book:
http://www.macmillanhighered.com/Catalog/product/macroeconomics-eighthedition-mankiw/studentpurchaseoptions#tab

Additional reading material

Additional readings for each syllabus topic will be posted on NYU CLASSES.

Other

Students should keep up with the economic news by becoming regular readers of the Financial Times or the Wall Street Journal or The Economist. Classes will often begin with a few minutes discussion of current economic events; students are expected to be prepared to participate in the discussion.
Paul Wachtel is a professor of economics at New York University Stern School of Business. He has been with Stern for almost 40 years and has served as the chairperson of the Economics Department, Vice Dean for Program Development, chairperson of the University Faculty Council and is currently the academic director for the BS in business and political economy. He is the co-editor of Comparative Economic Studies. He received his Bachelor of Arts degree from Queens College in 1966, his Master of Arts in economics from the University of Rochester, and his Doctor of Philosophy from the University of Rochester in 1971. He teaches courses in monetary policy, banking and central banking, global macroeconomics, international economics and global perspectives. His primary areas of research include the relationship of financial development to economic growth, central banking in the post-crisis world, and financial sector reform in economies in transition. He has published widely in these areas; see [http://pages.stern.nyu.edu/~pwachtel/](http://pages.stern.nyu.edu/~pwachtel/)

### Teaching Assistant

### Exam Dates

All exams are closed book, in class exams.

- Exam 1 – Wednesday March 9<sup>th</sup>
- Exam 2 – Monday April 13<sup>th</sup>
- Final Exam – xxx

### Assignments

Late assignments will not be accepted unless there is a valid reason with arrangements made in advance of the due date.

- Book essay – Due February 17
- Four problem sets (4) – Dates to be announced
Assessment Components

The course grade will be based on the following items with the weights shown:

- Exams 1 and 2: 20% each
- Final exam: 30%
- Class participation: 10%
- Book essay: 10%
- Problem sets: 10%

Grading

At NYU Stern we seek to teach challenging courses that allow students to demonstrate their mastery of the subject matter. In general, students in undergraduate core courses can expect a grading distribution where:

- 25-35% of students can expect to receive A’s for excellent work
- 50-70% of students can expect to receive B’s for good or very good work
- 5-15% of students can expect to receive C’s or less for adequate or below work

Note however that the School uses these ranges only as a guide. The actual distribution of grades for this course may differ from the above and your own grade will depend explicitly upon how well you actually perform in this course.

Professional Responsibilities for this Course

Classroom Norms

- All students are expected to have read the text material before class. Thus, class discussion and presentation will assume that you have done so.
- Arrive in class on time and stay to the end of the class period. Chronically arriving late or leaving class early is unprofessional and disruptive to the entire class.
- Turn off all electronic devices prior to the start of class. Laptops, cell phones and other electronic devices are a distraction to everyone and are not to be used in class.
- Eating or drinking in class in any way that interferes with class decorum is inappropriate.
- All students are expected to participate in class discussions. Your active participation helps me to evaluate your overall performance. However, your participation should reflect the fact that you have thought through the material and completed reading assignments, have listened attentively in class, are making an
effort to make comments and observations that are germane and are respectful of the learning experiences of your peers.

**Attendance**

Class attendance is essential to your success in this course and is part of your grade. Job interviews and travel plans are not considered as valid reasons for absence from class. Whenever possible, please notify Professor Wachtel by email in advance if you do not expect to be in class, whatever the reason.

**Academic Integrity**

Integrity is critical to the learning process and to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one’s own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

Stern Student Code of Conduct for all Stern undergraduate courses can be found here: [http://www.stern.nyu.edu/uc/codeofconduct](http://www.stern.nyu.edu/uc/codeofconduct)
**Introduction to Macroeconomics**

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**Course Outline and Text Readings**

Additional readings to follow.

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| 1  | M Jan 26  | 1. **Introduction and Measurement**  
Growth of the Global Economy |
| 2  | W Jan 28  | Income accounts                                                       |
| 3  | M Feb 2   | Price indexes and inflation                                           |
| 4  | W Feb 4   | 2. **Economy in the Long run**  
National income determination |
| 5  | M Feb 9   | Money and the financial system                                       |
| 6  | W Feb 11  | Central banks and monetary policy                                    |
|    |           | PRESIDENT’S DAY                                                      |
| 7  | W Feb 18  | Money and inflation                                                  |
| 8  | M Feb 23  | Interest rates and inflation                                          |
| 9  | W Feb 25  | Labor markets and unemployment                                       |
| 10 | M Mar 2   | Open Economy – capital flows and trade                               |
| 11 | W Mar 4   | Exchange rates                                                        |
| 12 | M Mar 9   | REVIEW                                                                |
| 13 | W Mar 11  | REVIEW                                                                |
|    |           | SPRING BREAK                                                          |
| 14 | M Mar 23  | 3. **Economic Growth**  
Model of Capital Accumulation and growth                               |
| 15 | M Mar 25  | Sources of growth                                                    |
| 16 | M Mar 30  | Growth policies                                                       |
| 17 | W Apr 1   | 4. **Business cycles and the economy in the short run**  
Business cycle facts and indicators                                    |
<p>| 18 | M Apr 6   | Keynes and short run fluctuations                                     |
| 19 | W Apr 8   | Stabilization policy                                                 |
| 20 | M Apr 13  | REVIEW                                                                |
| 21 | W Apr 15  | REVIEW                                                                |</p>
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<td>M</td>
<td>5. <strong>Topics in Macroeconomics</strong></td>
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<td></td>
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<td>Inflation and unemployment</td>
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<td>23</td>
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<td>Exchange rate regimes</td>
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<td>Stabilization policy in an open economy</td>
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<td>W</td>
<td>Government debt and deficits</td>
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<td>M</td>
<td>Financial stability and crises</td>
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<td>Prospects for the world economy</td>
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