

# ITRN 503: Macroeconomic Policy in the Global Economy

## Fall 2020 – Syllabus



**[Draft Revised: July 2020]**

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Office hours: By appointment via Zoom (to set up please email)

Lectures: Wednesday 7:20–10 pm, online synchronous mode to maximize real-time interaction via Zoom

### Course Description

This course covers the principal frameworks and concepts underpinning macroeconomics, focusing on their relevance to policy issues related to aggregate economic performance in the global economy. We will also include in our analysis of key macroeconomic policy issues how new technology paradigms impact macroeconomic policy choices in the global economy. Examples include *the influence of robots on labor market outcomes*, the effect of *digital assets and cryptocurrencies* on monetary policy, and *ripple effects from global value chains (GVCs)* on international fiscal and monetary policy coordination. Also, it is imperative that the existing macroeconomic paradigms for both monetary and fiscal policy formulation are informed by major contemporary trends (e.g. *climate change*) and shocks (e.g. *the COVID-19 pandemic*) impacting global markets. Our analyses include topics like long-run economic growth *sustainability* & business-cycle *volatility*; effects of monetary & fiscal policies on *international investor expectations*; inflation & unemployment *tradeoffs*; global capital flows, balance of payments and exchange rate regimes.<sup>1</sup>

### Course Grading

- Cumulative final exam (via Blackboard) – 30 percent
- Class project – 30 percent (Total per breakdown below)
  - Short written piece (policy brief) – 20 percent
  - Short group presentation via Zoom (fact-finding taskforce) – 20 percent
- Midterm exam (via Blackboard) – 20 percent
- Participation via Zoom (class, guest lectures and student presentations) – 10 percent

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<sup>1</sup> N.B.: This is a challenging course. It is highly recommended that you take prior to ITRN503 either ITRN504 (Microeconomics and Trade Policy) or PUBP720 (Managerial Economics).

## Learning Outcomes

- Knowledge of the analytical building blocks of macroeconomic policy
- Familiarity with the major policies from the main macroeconomic schools of thought
- Understanding of policy uses of national accounts and balance of payments statistics
- Capacity to assess critically the quality of macroeconomic policy reports
- Understanding the approaches and assumptions of key macroeconomic policy models

## Required Reading

- The main text will be *Macroeconomics* (5<sup>th</sup> edition) by Paul Krugman and Robin Wells (Worth Publishers, New York, 2018) – referred to as KW henceforth. Older editions have some of the same material but examples are dated. Also, there are improvements in exposition and changes in emphasis to reflect current macroeconomic issues.
- We will also use for international macroeconomic aspects the book: *An Introduction to International Economics: New Perspectives on the World Economy*, Cambridge University Press, by our own Kenneth Reinert (for open economy issues) – KR henceforth.

The above two books are available through the Arlington campus library. In addition, it is highly recommended that you keep abreast of current global economic affairs by reading specialized media analyses: e.g., *The Economist*, *The Financial Times* and *The Wall Street Journal*.

The textbook reading assignments specified in the course outline below will be complemented with case studies and scholarly articles dealing with current, recent and historical macroeconomic issues and policy examples in order to apply the analytical tools. We will also emphasize ongoing *globalization and high-tech trends, as well as shocks reshaping the world economy*, in the context of existing conceptual frameworks and macroeconomic modeling paradigms.

For that we will cover contemporary analyses in recently released policy research reports about the impacts (positive and negative) of new technologies on global macroeconomic performance. Certain trends and shocks outside the economic realm of markets – such as environmental degradation and pandemic health crises – deeply affect macroeconomic policy design and the global investment performance.

In particular, to gauge how the global economy is impacted by ongoing development, we will analyze the impact of industrial robots on unemployment, the effect to global value chains (GVCs) on monetary policy as well as international business cycles, the performance of financial markets with the introduction of cryptocurrencies, climate change and long-run global growth sustainability, and the COVID-19 supply and demand shocks. These papers are flagged with asterisks (\*). Finally, we will have a couple of policy practitioner guest lecturers to illustrate in action the use of the tools and models for macroeconomic policy analysis learned in class.

## Course Outline

Synchronous weekly meetings via Zoom will include lectures, class discussions, guest talks, student presentations, and office hour meetings – as well as online asynchronous resources.

## Class Topics

*August 26<sup>th</sup>: Introduction to Class: Economic Growth and Business Cycles*

Chapters 1, 3 and 6 in KW

*September 2<sup>nd</sup>: The System of National Income Accounts*

Chapter 7 in KW and 13 in KR

*September 9<sup>th</sup>: Schools of Thought in Macroeconomics*

Chapters 6 and 9 in KW

*September 16<sup>th</sup>: Keynesian Model*

Chapter 10 and 11 in KW

*September 23<sup>rd</sup>: Aggregate Demand & Aggregate Supply (AD-AS)*

Chapter 12 in KW (**& Guest Lecture**)

*September 30<sup>th</sup>: Fiscal Policy*

Chapter 13 in KW

**Midterm Exam: October 3<sup>rd</sup> - 4<sup>th</sup>, open books and notes, via Blackboard**

*October 7<sup>th</sup>: Monetary Policy and Cryptocurrencies (& Guest Lecture)*

Chapter 14 in KW

- \* Eichengreen, B. "[From Commodity to Fiat and Now to Crypto: What Does History Tell Us?](#)" NBER Working Paper No. 25426, 2019.
- \* Abadi, J. and M. Brunnermeier, "[Blockchain Economics](#)," Princeton, 2019.
- \* Brunnermeier, M., H. James, and J. Landau "[The Digitalization of Money](#)," Princeton, 2019.

*October 14<sup>th</sup>: Money, Prices and Inflation (& Student Presentations)*

Chapter 15 in KW

- \* Wei, S-J and Yinxi Xie, "[Monetary Policy in an Era of Global Supply Chains](#)," NBER Working Paper No. 26602, 2020

*October 21<sup>st</sup>: The Great COVID-19 Lockdown and the Pandemic's Global Macro Shocks*

- \* Guerrieri, V., G. Lorenzoni, L. Weitraub and I. Werning, "[Macroeconomic Implications of COVID-19: Can negative supply shocks cause demand shortages?](#)" NBER Paper, 2020
- \* Acemoglu, D., V. Chernozhokov, I. Werning, and M. Whinston, 2020, "A Multi-Risk SIR Model with Optimally Targeted Lockdown," NBER Working Paper [27102](#), 2020.

*October 28<sup>th</sup>: Inflation, Technology & Unemployment (& Student Presentations)*

Chapter 16 in KW

- \* Acemoglu, D. and P. Restrepo, "[Automation and New Tasks: How Technology Displaces and Reinstates Labor](#)," NBER Working Paper No. 25684, 2019

*November 4<sup>th</sup>: Exchange Rates & Purchasing Power Parity (& Student Presentations)*

Chapters 14, 15 and 16 in KR

*November 11<sup>th</sup>: Global Public Goods & Long-Run Growth Sustainability*

- \* Kugler, M. (Head of Research), United Nations Development Programme, "Deepening Progress: Global Goods and Collective Action," Chapter 5, *Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience, Human Development Report*, 2014.
- \* Nordhaus, W., "[Climate Change: The Ultimate Challenge in Economics](#)," *American Economic Review*, 2019

***Final Exam: November 18<sup>th</sup>– 19<sup>th</sup> (12 am – 11:59 pm), via Blackboard***

### **Academic Integrity**

The GMU honor code will be fully enforced and plagiarism of any kind will not be tolerated in any coursework in order to ensure fairness and transparency. The full Mason honor code may be accessed at: <https://oai.gmu.edu/mason-honor-code/full-honor-codedocument>.

### **Academic Accommodation for a Disability**

If you are a student with a disability and you need academic accommodations, please let me know as soon as possible and contact the Disability Resource Center (DRC) at [ods@gmu.edu](mailto:ods@gmu.edu) or 703-993-2474. All academic accommodations must be arranged through the DRC.