ITRN 503: Macroeconomic Policy in the Global Economy

Spring 2018

ver. 1/15/2018
course credit: 4
location: Arlington Founders Hall, room 470
meeting time: Thursday, 7:20-10:00PM
1st Day: January 25, 2018

Description of the Course

LEARNING OBJECTIVES

This course is a workshop in using analytic techniques to answer difficult questions about macroeconomic performance and risks. Its purpose is to provide students with a sense of confidence in understanding

1) How individual decisions lead to macroeconomic outcomes and *vice versa*, and
2) How public policies of various types affect both decisions and outcomes.

AUDIENCE

ITRN503 is for students with little prior background in economic analysis, but who are, at minimum, comfortable with algebra. Students who enroll in this course should be able to use Excel (or a comparable program) and download datasets from the Internet.

Note: This course will require you to develop basic literacy in the use of calculus. You are not required to have taken a calculus class before taking this course. However, you will be required to understand and to use calculus in this course.

In advance of the course, you should understand the material covered in the GMU Schar School Math Camp (PUBP 555) and the GMU Schar School math tutorials (http://schar.gmu.edu/current-students/masters-advising/masters-101/topic-6-quantitative-skills/math-for-economics-tutorials/). Math Camp is a free workshop offered to all students the week before each semester (http://schar.gmu.edu/wp-content/uploads/2015/10/Heffelmire-PUBP-555-001-Spring-2016.pdf).

Additionally I offer a 2-hour math workshop (see course outline below). I encourage you to take advantage of both the Math Camp and the additional Math Workshop that I offer.

STUDENT EXPERIENCE

We will be using class time in this course to do work together. Students **must** come to class every session prepared—which means in particular that you must have done the readings and viewed any lectures for that class session. This will allow us to spend class time answering questions such as:

- Does inequality undermine progress?
• Is macroeconomics just politics with equations?
• Is life generally getting better or worse?
• What caused the housing market crash? (… and why did most economists miss it?)
• Why are some nations rich and others poor?
• Do economies compete?
• Is China cheating? (Is the US cheating?)
• Is the U.S. economy vulnerable to oil supply disruptions?

As a class, we will produce a minimum of 4 high-quality white papers answers these or other current policy questions.

EXPECTATIONS
The expectations in this class reflect those that exist in the workplace for policy analysts. Students are expected to be engaged contributors to every aspect of the work of the class. Students must create first-rate work of their own and must also contribute actively to collaborative efforts.

EVALUATION
Students’ grades in this course will be determined as a combination of
• Issue Paper: 30%
• Midterm Exam: 15%
• Final exam: 25%
• Data assignments (2): 10%
• In-class participation, including three one-page response papers: 20%

COMMUNICATIONS

Cellphone and Email
The best way to reach me is either by email (auerswald@gmu.edu) or cellphone (202-378-6438). If you email a question to me that may require more than a yes/no answer (in particular, any questions regarding assignments), please include in the message a phone number at which you can be reached during the day.

COURSE MATERIALS

Print
If you don’t already have it, you should purchase

[Hereafter “The Economist Guide to Indicators”]

This is for your own reference; it is not an assigned text.

The textbooks for this course are:

https://www.amazon.com/Modern-Principles-Macroeconomics-Tyler-Cowen/dp/1429278404/ref=sr_1_1


http://www.amazon.com/An-Introduction-International-Economics-Perspectives/dp/0521177103

**Additional required texts**


**Optional book**


For all books I suggest you search Amazon, including used options, for the least expensive options.

**Assignments from this book in the course outline below are required.**

If you have not done so already, please familiarize yourself with the library’s online resources (particularly JSTOR), and make sure that you have access to Adobe Acrobat Reader.

**Social Media**

It is required that you create a Twitter account and follow @MasonEcon. (You may also want to follow @auerswald, but that is up to you.) You also should be prepared to follow the #ITRN503 hashtag. The Twitter accounts will be a regular mode of communication in the course.

I strongly recommend that, while you take this course, you follow these additional blogs and Twitter accounts:

- Marginal Revolution: http://marginalrevolution.com/ (Twitter: @MargRev @TylerCownen @ATabarrok )
- Modeled Behavior: http://blogs.forbes.com/modeledbehavior/ (Twitter: @ModeledBehavior )
- Conscience of a Liberal: http://krugman.blogs.nytimes.com/ (Twitter: @NytimesKrugman )
- Brad DeLong’s Blog: http://delong.typepad.com/ (Twitter: @delong)

Familiarizing yourself with social media tools and with these resources in advance of class will be your best way of preparing for the course in advance of the start of class.
Professional Ethics

HONOR CODE

GMU shares in the tradition of an honor system that has existed in Virginia colleges since 1842. The Honor Code is an integral part of university life. Students are responsible for understanding the provisions of the code. In the spirit of the code, a student's word is a declaration of good faith acceptable as truth in all academic matters. Therefore, attempted cheating, plagiarism, lying, and stealing of academic work and related work constitute Honor Code violations. All work must be your own. Inappropriate use of the work of others without attribution is plagiarism and a George Mason University Honor Code violation punishable by expulsion from the University. All students should familiarize themselves with this honor code provision (http://www.gmu.edu/facstaff/handbook/aD.html).

POLICY ON PLAGIARISM

The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the School of Policy, Government, and International Affairs. It constitutes a serious breach of professional ethics and it is unacceptable.

Plagiarism is the use of another’s words or ideas presented as one’s own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another’s work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined.

Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one’s professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career.

The faculty of the School of Policy, Government, and International Affairs takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of “F.” This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student’s transcript. For foreign students who are on a university-sponsored visa (eg. F-1, J-1 or J-2), dismissal also results in the revocation of their visa.

To help enforce the SPGIA policy on plagiarism, all written work submitted in partial fulfillment of course or degree requirements must be available in electronic form so that it can be compared with electronic databases, as well as submitted to commercial services to which the School subscribes. Faculty may at any time submit student’s work without prior permission from the student. Individual instructors may require that written work be submitted in electronic as well as printed form. The SPGIA policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it.

1 Description thanks to Professor Steve Ruth.
Course Outline

Session 1. Introduction to the Course and Math Fundamentals (January 25)

Required readings:
- Cowen and Tabarrok, chapters 1-5
- Nasar, chapters 1-4
  http://www.econlib.org/library/Essays/hykKnw1.html
- Paul Krugman (2009), “Why Economists Got It So Wrong”

Required audio:
- EconTalk Interview of Nassim Taleb by Russ Roberts
  http://www.econtalk.org/archives/2012/01/taleb_on_antifr.html

PART I: CONCEPTS

Session 2. Economic Growth I: GDP and the Wealth of Nations (February 1)

Policy topic: (How) Does economic growth make people better off?

Required readings:
- Cowen and Tabarrok, chapters 6 and 7
- Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi, Report of the Commission on the
  Measurement of Economic Performance and Social Progress, Paris: Commission on the
  Measurement of Economic Performance and Social Progress, 2009. [read for basic
  understanding, not details]

Required video:
- The Future of Economic Growth, Panel 1: “Forecasting the Long-Term Growth Outlook,
  December 4, 2014”
  http://www.cato.org/events/future-us-economic-growth
- Hans Rosling, 200 Countries, 200 Years, 4 Minutes
  http://youtu.be/jbkSRLYSojo

Optional reading
- Nasar, chapters 5-10

Session 3. Economic Growth II: Ideas and Investment (February 8)

Policy topic: Is economic growth slowing down?

Required readings:
- Cowen and Tabarrok, chapters 8-10
- Erik Brynjolfsson and Andrew McAfee, Race Against the Machine [eBook]
  http://raceagainstthemachine.com
  http://www.nber.org/papers/w18315 [accessible via GMU Library]
Required video
  http://www.cato.org/events/future-us-economic-growth

Optional audio
- Erik Brynjolfsson, “In a race with machines, can we keep up?”

Session 4. Economic Growth II: Ideas and Investment, continued (February 15)
ISSUE PAPER: 60-second pitch and 1-page description of topic DUE

Session 5. Economic Growth II: Ideas and Investment, continued; Introduction to data analytics (February 22)

Session 6. Inflation and Business Fluctuations (March 1)
Policy topic: What caused the Great Depression? (How) Did the New Deal help to end it?
Required readings:
- Cowen and Tabarrok, chapters 11-14
- Nasar, chapters 11-15
- J. M. Keynes et al and F.A. von Hayek et al (1932), Letters to The Times
  http://journal.apee.org/index.php?title=Fall2011_4

Required video:

DATA ASSIGNMENT 1: DUE

Session 7. Macroeconomic Policy: Monetary Policy (March 8)
Policy topic: What caused the housing crisis and why didn’t the Fed do anything about it?
Required readings:
- Cowen and Tabarrok, chapters 15-16 required
- Alan Greenspan (2005), Testimony to Congress
  http://www.federalreserve.gov/newsevents/speech/Bernanke20070831a.htm

Required video
- The Big Short
  https://www.youtube.com/watch?v=xbiDrzTd8fE

Required audio
- This American Life, “355: The Giant Pool of Money”

Optional reading
- Nasar, chapters 16-17

SPRING BREAK: March 12-16
Session 8. Macroeconomic Policy: Fiscal Policy (March 22)
Policy topic: 1) What’s more patriotic, spending or saving? 2) Was the 2009 stimulus too Big, too small, or just right?
- Cowen and Tabarrok, chapters 15-16 required
  http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?pagewanted=all&r=0

Required videos:
- Russ Roberts, Keynote Address (2011), Mercatus Holiday Dinner, December 7
  http://www.pbs.org/newshour/bb/business-july-dec12-makingsense_12-20/

ISSUE PAPER: 5-page draft or detailed outline DUE

Session 9. Midterm Exam (March 29)
- MIDTERM EXAM IS TAKE HOME. I WILL SEND IT TO YOU BY 6PM ON WEDNESDAY, MARCH 29. IT WILL BE DUE BY EMAIL OR FAX (202-330-5478) NO LATER THAN 9PM ON SATURDAY, OCTOBER 28.
- WE WILL NOT MEET IN PERSON ON THIS DAY

Session 10. International Finance I: Open Economy Macroeconomics and Balance of Payments Accounting (April 5)
Policy topic: Are natural resource endowments a blessing or a curse?

Required readings:
- Reinert, chapters 13-16
- Cowen and Tabarrok, chapter 20
- Jeffrey Frankel (2010), The Natural Resource Curse: A Survey, Harvard Kennedy School Working Paper Series RWF10-005 (February) [read for basic understanding, not details]
  http://www.nber.org/papers/w15836
- The Economist, “What Dutch Disease Is and Why It’s Bad”
- Clifford Kraus, “Venezuela Staves Off Default, but Low Oil Prices Pose a Threat,” April 12, 2014

Optional Readings
- NPR, The Stone Money of Yap
  http://www.npr.org/sections/money/2011/02/15/131934618/the-island-of-stone-money
- India: Three Months Since Modi’s Demonetisation
  http://linkis.com/themarketmogul.com/iRGiT
http://www.the-american-interest.com/article.cfm?piece=269

  http://econweb.ucsd.edu/~jhamilto/Hamilton_oil_shock_08.pdf
  [read for basic understanding, not details]
  http://www.boston.com/bostonglobe/ideas/articles/2011/02/13/crude_reality/

... and just for fun (particularly for Neal Stephenson fans)

- Digital Currency: ten years before Bitcoin, Neal Stephenson's *Cryptonomicon*
  http://www.laurelzuckerman.com/2013/03/digital-currency-ten-years-before-bitcoin-neal-stephensons-cryptonomicon-.html

DATA ASSIGNMENT 2: DUE

Policy topic: What’s better for the economy, a strong currency or a weak currency?

Required readings:

- **Reinert, chapters 17-19**
- The Daily Telegraph (2014), “Japan to keep printing money for years to come, so learn to enjoy it”
  http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/10893607/Japan-to-keep-printing-money-for-years-to-come-so-learn-to-enjoy-it.html
- Brookings, “Monetary Policy at the Zero Lower Bound”
- Marketplace, “So what's Quantitative Easing anyway?”
- The Economist, “The Big Mac Index”
  http://www.economist.com/content/big-mac-index

Optional readings

- Wikipedia, “Bitcoin network—Bitcoin Mining”
  http://www.investopedia.com/articles/03/061803.asp
ISSUE PAPER: First full draft DUE

Session 12. Peer-to-peer comment session (April 19)

Session 13. Demographics and Migration (April 26)
Policy topic: Does immigration help or hurt the economic prospects of native-born people?
Required readings:
- Reinhert, chapter 12
- Nasar, chapter 18
- John Tanton (1975), “International Migration as an Obstacle to Achieving World Stability”
  http://www.johntanton.org/articles/mitchell_essay_immigration.html
  https://www.aeaweb.org/articles.php?doi=10.1257/jep.25.3.83
- Steven A. Camarota (2017), “The Case Against Immigration”
  https://www.foreignaffairs.com/articles/united-states/2017-03-31/case-against-immigration [register for free or access via library.gmu.edu]

Optional Reading
  https://www.amazon.com/Depopulation-Investors-Guide-Twenty-First-Century-ebook/dp/B00SW9JAHU

Session 14. Political Economy and Public Choice: Institutions and Inequality (May 3)
Policy topic: Why are some nations rich and others poor?
required readings:
- Cowen and Tabarrok, chapter 21 required
- Daron Acemoglu and James Robinson (2012), Why Nations Fail (preface)
  http://whynationsfail.com/preface/
- McCloskey, Review of Piketty

required video:
- Paul Romer, “The World’s First Charter City?” TED Talk, March 2011
  http://www.ted.com/talks/paul_romer_the_world_s_first_charter_city.html

DATA ASSIGNMENT 3: DUE

Final exam (May 10, 7:30 pm – 10:15 pm) [TO BE CONFIRMED]
ISSUE PAPER: Final paper DUE